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## CHINA REPORT ECONOMIC AFFAIRS

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## NATIONAL POLICY AND ISSUES

### 'JINGJI YANJIU' ON DETERMINATION OF VALUE

HK231243 Beijing JINGJI YANJIU in Chinese No 1, 20 Jan 82 pp 18-25

[Article by Gu Shutang [6253 2579 1016] and Yang Yuchuan [2799 3768 1557] of the Economic Research Institute of Nankai University: "Further Thoughts On the Determination of Value and the Law of Value"]

#### [Text] I. The Posing of the Question

When we attempt to systematically analyze and study the role of value under the conditions of socialism in our country, we immediately encounter two theoretical problems which have remained unresolved for many years. One problem is the relationship between socially necessary labor time in its second sense and the determination of value. The other is whether value exists in different forms under the condition of socialism. If these two problems are not clearly resolved, the analysis of other specific problems will inevitably be affected. This article intends to study the first problem, that is, to view in a new light, socially necessary labor time in its second sense.

Is socially necessary labor time in its second sense related to the determination of value? If so, what is the relationship? The main disagreement on these questions is that one view holds that there is no direct relationship between socially necessary labor time and the determination of value, while another view holds that a direct relationship does exist between the two. [Footnote begins] (The controversy over these questions was originally triggered off by an article written in 1956 in the economic sciences section in volume 1 of the Nankai University Journal, and was later published in 1956 as a monograph by the People's Publishing House of Shanghai, with the second and third editions appearing respectively in 1959 and in 1961. The first edition of this article preliminarily put forth the following view: The socially necessary labor time, in both of its senses, plays a role in determining the value of a commodity. Then, in the October 1956 issue of DUFUQSTH JFRQD this view and recommended this book in his review entitled "A Book on the Law of Value--A Review of 'The Role and Manifestation of the Law of Value in Various Stages of Capitalism.'" In 1957, following comrades Wei and Gu, Comrades Nan Bing [0589 0393] and Suo Zhen [4792 4176] put forth a similar view, from another angle, in their article entitled "on the value of the means of production and the role of the law of value under the socialist system," published in the number 1 issue of JINGJI YANJIU. In 1958, Comrades Wang Zhangyao [3769 4545 5069] and Sa Gongqiang [5646 0361 1730] queried the validity of the view of Comrades Wei, Gu and

Wu in their article entitled "On the Problem of 'Socially Necessary Labor Time'--A Discussion with Comrades Wei Xun, Gu Shutang and Wu Shuzing," published in the number 2 issue of XUESHU YUEKAN [academic journal]. In the same issue of XUESHU YUEKAN, Comrades Wei and Gu published "a reply to Comrades Wang Zhangyao and Sa Gongqiang" to reaffirm the view they put forth in 1956. In the number 4 issue of XUESHU YUEKAN, Comrade Song Chengxian [1345 2110 0341] published an article entitled "On the Problem of 'Socially Necessary Labor Time'--Another Discussion with Comrades Wei Xun and Gu Shutang," expressing support for the view of Wang and Sa and disagreement with the view of Wei and Gu. The first round of the debate on this problem ended with the publication of this article.

The second round of the debate on this problem began in the early 1960's. In 1961, in the third edition of the book they jointly wrote, Comrades Wei and Gu more clearly stated their view on the role of socially necessary labor time in its second sense in the determination of value. Subsequently, scores of articles were published in many newspapers and magazines of our country to discuss this problem. These articles were published mainly in JIANGNAN XUEBAO in its number 9, 10 and 12 issues, 1962 and number 1, 4, 5 and 8 issues, 1963; in GUANGMING RIBAO in its 26 November and 24 December 1962 issues, and 14 January and 29 July 1963 issues; in the journal JINGJI XUE [economics] in its 27 January, 4 May and 11 May 1964 issues; in JINGJI YANJIU in its number 12 issue, 1962 and number 3, 6 and 12 issues, 1963; in JIAOXUE YU YANJIU [teaching and research] in its number 6 issue, 1963; and in XUESHU YUEKAN in its number 8 issue, 1963.

Over the past 2 years, in connection with the discussion of the law of value, some economists have again mentioned the problem of the double meanings of socially necessary labor time. For example, though the problem of the double meanings of socially necessary labor time was not discussed as a separate topic, it was touched upon at the economists' national forum on the law of value convened in Wuxi in 1979, as well as in Comrade Huo Junchao's [7202 0193 6389] article entitled "We Must Not Consider 'The Determination of Value' As Tantamount to 'The Law of Value,'" in Comrade Tang Zongkun's [0781 1350 3540] article entitled "The Law of Value, Market Mechanism and Socialist Planned Economy," and in Comrade Lin Zili's [2651 1311 0500] article entitled "A Study of the Theory of Regulation in the Socialist Economy," these three articles being published in JINGJI YANJIU, respectively in the number 3 issue, 1979, the number 7 issue, 1979 and the number 11 issue, 1980.) [Footnote ends]

Another question which is related to the question of whether socially necessary labor time is related to the determination of value, is whether the law of value is precisely a law that governs the determination of value. One view holds that the law of value not only governs the determination of value, but also governs exchange at equal value. Another view holds that the law of value is precisely one that governs the determination of value. (The principal views on various theories concerning the law of value itself can be summarized into the following several categories. The first view holds that the law of value is a law which governs the determination of value. Comrade Yu Guangyuan [0060 0342 6078] expressed this view in his article entitled "On the Role of the Law of Value Under the Socialist System," published in the number 10, 1957 issue of XUEXI [study], and also in his article entitled "The Law of Value and the Law Governing the Determination of Value Under the Socialist System." The second view holds that the law of value is

a law which governs exchange at equal value. Comrade Jiang Xuemo [5592 1331 2875] expressed this view in his article entitled "On the Role of the Law of Value in 'Influencing' and 'Regulating' Socialist Production," published in JINGJI YANJIU, number 1, 1959. The third view is that the law of value is a law which governs the production and exchange of commodities. Comrade Xu Dixin [6079 3321 2450] expressed this view in his article entitled "On the Role of the Law of Value in Our Country During the Transition Period," published in the number 7, 1957 issue of XUESHU YUEKAN. The fourth view holds that the law of value is a law which governs the economy of time. A typical exposition of this view is found in Comrade Sun Yefang's [1327 0396 2455] article entitled "The Law of Value Is of Foremost Importance Among Thousands of Laws," published in the 28 October 1978 issue of GUANGMING RIBAO.)

The determination of value as well as its relationship with the law of value are difficult problems. We think that this is primarily due to a lack of clear understanding of the meaning and role of socially necessary labor time in its second sense. Therefore, we will in the first place express our view on the meaning and role of socially necessary labor time in its second sense. This is also the main content of this article.

## II. Socially Necessary Labor Time in Its Second Sense Plays A Direct Role in the Determination of Value

What is the meaning of the socially necessary labor time which determines the value of a commodity? When we analyze a single commodity, we examine the value and use value which the commodity must possess, without having to consider the magnitude of the use value. That is, if supply and demand are in equilibrium, no problem will exist. Therefore, the labor time necessary for creating the use value is the socially necessary labor time that determines the value of this commodity. Hence, it seems that the socially necessary labor time that determines a commodity's value only refers to the necessary labor time expended in the production of that single commodity. Marx said something with a similar meaning, thus: "That which determines the magnitude of the value of any article is the amount of socially necessary labor, or the labor time socially necessary for its production. Each individual commodity, in this connection, should be considered as an average sample of its class. Therefore, various commodities in which equal quantities of labor are embodied or which can be produced in the same working time have the same value." ("Das Kapital," People's Publishing House, 1975 edition, Vol 1, pp 52-53; same edition is referred to in further quotations) However, in volume 1 of "Das Kapital," Marx merely analyzed the process of capitalist production and had not yet examined the overall process of production. In this context, what he calls the necessary labor time which determines the value of a commodity is naturally mentioned with regard to the production of a certain article that embodies use value. This necessary labor time is actually what we usually call socially necessary labor time in its first sense. However, in volume 3 of "Das Kapital," when Marx studies capitalist production as an overall process and analyzes the total quantities of commodities that are compatible with society's needs, he specified further qualifications on the socially necessary labor time that determines the value of a commodity, thus: "Value is not determined by the labor time necessary for an individual producer to produce a certain commodity or a certain quantity of a commodity. Instead, it is determined by the socially necessary labor time, or, determined by the labor time necessary for producing the total quantity of this commodity which



is needed by society and which is sold on the market, given the average conditions of production in society at the time of production." (Ibid, Vol 3, p 722) The necessary labor time mentioned here obviously includes what we usually call the socially necessary labor time in its second sense. These two kinds of necessary labor time differ in their substance. When we get to understand the socially necessary labor time that determines the value of a commodity, we will not base ourselves merely on a certain paragraph in volume 1 or volume 3 of the "Das Kapital." Instead, we will, as Marx does, regard these different ways of putting things as different conclusions drawn by considering the problems from different viewpoints. We should further unify the part and the whole, and thus draw the conclusion that the socially necessary labor time in both senses jointly determine the value of a commodity. That is, the prerequisites for the determination of value not only include consideration of the socially necessary labor time expended in producing a single commodity, but also includes consideration of the labor time which, from the overall point of view, is necessary for producing the total quantity of those commodities that satisfy a certain social need.

What is the relationship between the conditions of production that determine the value of a commodity and the socially necessary labor time in its second sense? We must answer this question after we have clearly understood the meaning of socially necessary labor time. In volume 1 of "Das Kapital," Marx said: "The socially necessary labor time is that which is required to produce an article embodying use value under the normal conditions of production, and with the average degree of skill and labor intensity that are prevalent in society at the time." ("Das Kapital," Vol 1, p 52) When we come to volume 3 of "Das Kapital," we find that his exposition about a single commodity, "is applied to the total quantity of those commodities on the market which are the products of an entire sector of production," because "if we consider the total quantity of commodities, or initially, the total quantity of commodities produced by a sector of production, as a single commodity, and if we consider the sum total of the prices of many commodities of the same category as an aggregate price, then the problem can be easily explained." (Ibid, Vol 3, p 203) Precisely on the basis of this understanding, he analyzes three different sets of conditions of production which determine the value of a commodity. (See "Das Kapital," Vol 3, p 203)

First, if an overwhelming proportion of the quantity of a commodity produced is produced under similar normal social conditions, that is, produced under medium conditions, then the social value of this commodity is equal to the value of one unit from this overwhelming proportion of the commodity. In this case, if a relatively small proportion this commodity is produced under inferior conditions of production, while another relatively small proportion is produced under superior conditions of production, then the value of one unit of the commodity from the first and second small proportions will be respectively greater than and smaller than the average value of one unit from the overwhelming proportion of the commodity. If these two small proportions can offset each other in value, then the market value or social value of the commodity, that is, the necessary labor time embodied in it, will be determined by the value of the overwhelming proportion of the commodity produced under average conditions.

Second, assume that the total quantity of the commodity offered for sale on the market remains unchanged. However, in this case the value of that proportion of

the commodity produced under inferior conditions cannot be balanced by the value of that proportion of the commodity produced under superior conditions, so that the former proportion of the commodity is of great magnitude compared with the latter proportion or with that proportion of the commodity produced under average conditions. Then, social value is regulated by that large proportion of the commodity produced under inferior conditions.

Third, assume that the quantity of the commodity produced under superior conditions greatly exceeds the quantity produced under inferior conditions, and even substantially exceeds the quantity produced under average conditions. Then, social value is regulated by that proportion of the commodity produced under superior conditions.

Marx's exposition on the three sets of conditions of production which determine a commodity's value tells us that, under the prerequisite of equilibrium between supply and demand, if the total quantity of the commodity produced remains unchanged, and if the various proportions of this quantity that are produced under different conditions of production vary. Then the social value of the same quantity of the commodity must be regulated in different ways, so that the aggregate social value varies. Under the first set of conditions, social value is regulated mainly by the labor time expended in producing the commodity under average conditions. Thus, the social value of the total quantity of the commodity is equal to the sum of the value of individual units of the commodity. Under the second set of conditions, social value is regulated mainly by the labor time expended in producing the commodity under inferior conditions. Then, the social value of the total quantity of the commodity is higher than the sum of the value of individual units of the commodity. Under the third set of conditions, social value is regulated mainly by the labor time expended in producing the commodity under superior conditions. In this case, the social value of the total quantity of the commodity will be lower than the sum of the value of individual units of the commodity. Moreover, whatever condition of production is prevailing, and under which the corresponding labor time is taken as the main criterion for regulation, the socially necessary labor time for regulating social value is always the statistical weighted average of various labor times expended in producing the commodity under various conditions of production.

However, the three sets of condition can be established only if the supply and demand of a commodity are in equilibrium. Otherwise, the conditions will change. This shows that the compatibility of supply with social demand is the prerequisite for the possibility of determining value under these three sets of conditions. If so, how can we say that socially necessary labor time in its second sense is not directly related to the determination of value? Nevertheless, we should note that in real economic life under capitalism, "supply and demand will never actually coincide. It will be a fortuitous phenomena if they do. Therefore, the chance of such coincidence is zero. Such coincidence can be considered to have never occurred." (Ibid, Vol 3, p 212) Therefore, we must also analyze how value is determined when demand and supply are not in equilibrium.

Generally, when supply and demand are not in equilibrium if we disregard the fact that various conditions of production differ in their relative importance, the social value of a commodity is also regulated by that proportion of the commodity produced under the inferior condition or the superior condition of production. When demand exceeds supply, that proportion of the commodity produced under infer-

ior conditions is also needed by society. Without this proportion, social needs cannot be fully satisfied. Therefore, the value of individual units of this proportion of the commodity will be taken into account in the calculation of the average social value, and moreover, the labor consumed in producing these individual units of the commodity will play a regulatory role in the determination of socially necessary labor time. Consequently, the value of these individual units will cause a drop in the average labor productivity in the entire sector, an increase in the average consumption of labor, and a corresponding increase in social value. On the other hand, when supply exceeds demand, superior conditions of production will play a regulatory role in the determination of society necessary labor time, thus causing a raise in the average labor productivity of the entire sector, a fall in the average labor productivity of the entire sector, a fall in the average consumption of labor, and a corresponding drop in social value. However, when demand exceeds supply or supply exceeds demand, social value is only approximately equal to, but will never be absolutely equal to, the value of individual units of that proportion of the commodity produced under inferior or superior conditions. This is because generally, when supply and demand are not in equilibrium, the social value of a commodity is still determined by the weighted average of different labor consumption figures corresponding to different conditions of production, rather than determined by the labor consumption corresponding to only one condition of production, either superior or inferior. Only when demand overwhelmingly exceeds supply or vice versa, will the social value of a commodity be equal to the value of an individual unit from the proportion of the commodity that is produced under inferior or superior conditions. This is because when demand overwhelmingly exceeds supply, the need for the commodity cannot be satisfied even when the entire supply of the commodity is sold. Then, the social value of the commodity is no longer determined by the weighted average of different labor consumption figures corresponding to different conditions of production, but can only be determined by the consumption of labor in producing individual units of the commodity under inferior conditions. In this case, the commodity's social value will greatly exceed the average value and the total social value will also greatly exceed the sum of the value of individual units of the commodity, so that a "nominal social value" is involved. When supply drastically exceeds demand, the reverse happens. What happens under disequilibrium between supply and demand demonstrates that the average condition of production in a sector cannot only be determined by the weighted average of various conditions of production, namely, superior, medium and inferior ones, but can also be determined by one of the superior condition and inferior condition of production. Hence, we can also say that socially necessary labor time cannot only be determined by the weighted average of the labor consumption figures corresponding to the superior, average and inferior conditions of production, but can also be determined by the consumption of labor in producing individual units of the commodity under the superior or inferior condition. However, none of this can be divorced from the circumstances of supply and demand, which act as prerequisites. If this is so, how can we say that socially necessary labor time is not directly related to the determination of value? Thus, it can be seen that the necessary labor time which determines the value of a single commodity is based on that total amount of the relevant type of labor which is compatible with the magnitude of social needs.

By acknowledging the positive role of socially necessary labor time in the determination of value, do we thus admit the validity of the theory that supply and demand determine value? Of course not. To answer this question, we must in the



first place clearly understand what supply and demand are. In volume 3 of "Das Kapital," Marx specifically analyzed this question. He distinguishes two different categories of demand and supply. One category is the supply of and demand for commodities in the market. The other category is the actual quantities demanded and supplied by various sectors in production. Considering its quantitative characteristic, the demand for commodities in the market changes frequently because it is affected by money prices. For example, when the prices of the means of livelihood fall, or when money wages generally rise, people will purchase larger quantities of the means of livelihood and thus the social demand for these commodities will increase, and vice versa. However, in production, although the demand for social labor can vary, it is a constant figure under given conditions of production. Because of social division of labor and the socialization of production, it is objectively necessary to allocate social labor among various sectors of production according to certain fixed proportions. If the conditions of production remain unchanged, these proportions will always be fixed. For example, if every year the cotton spinning and weaving industry carries out reproduction to maintain a constant scale of production, then every year the industry needs the same quantity of cotton. If the scale of production expands every year because of capital accumulation, the industry will naturally demand correspondingly larger quantities of cotton. Thus, an objective proportion existing in the area of production is reflected in the market. This proportion may change when it is affected by money prices. Therefore, the social need existing in the arena of production is different from the demand in the market. They differ in magnitude. As Marx said: "The need for a commodity in the market, that is, the demand, differs quantitatively from the actual social need. Of course, this difference varies over an extremely wide range for different commodities. This difference refers to that between the following two things: First, the actual quantity of the commodity needed, and second, the quantity of the commodity needed when its money price changes, or in other words, the quantity of the commodity needed when the buyers' quantity of money in hand or conditions of livelihood change." ("Das Kapital," Vol 3, p 211) Marx rigorously distinguishes the actual quantity of a commodity needed from the quantity of the commodity demanded in the market, pointing out that the actual quantities of various commodities needed, which are directly related to the determination of value, (that is, the quantities out of the total social labor that are allocated among various sectors of production according to proportions), is not the same as the demand we refer to when we talk about market demand and supply. When the quantity of social labor employed in the production of a certain commodity is too great and thus the output of this commodity surpasses the social need, then, that portion of the social labor time consumed which is in excess of the social need is wasted. The amount of social labor embodied in the commodity as reflected in the market will then be smaller than the actual amount of social labor embodied in the commodity, and this is reflected in the fact that a portion of the commodity cannot be sold at all. If the amount of social labor used for producing a commodity falls greatly short of the social need to be satisfied by this commodity, then the contrary will occur. This shows that the socially necessary labor time in its second sense plays a role in the determination of value, but market demand and supply only determine the difference between price and value, that is, only determine the realization of value. How can these two things be confused? Thus, if we think that by acknowledging that socially necessary labor time in its second sense plays a role in the determination of value, we are in effect acknowledging that demand and supply determine value and, if so, then, we are confusing two categories of related but not identical needs. Of course, this is incorrect.

If we acknowledge that socially necessary labor time in its two senses together determine a commodity's value, do we thus violate the theory of labor value? No. We know that the viewpoint of "labor creating value" was not discovered by Marx and that this is not tantamount to the entire content of Marx's theory of labor value. Before the time of Marx, the classical economics then found that the value of a commodity is determined by the labor contained in it; that labor required for its production. With this explanation it contented itself. And we can also pause here for the time being. I will only remind the reader, in order to avoid misunderstandings, that this explanation has nowadays become totally inadequate. Marx was the first to thoroughly investigate the value-creating quality of labor and he discovered in so doing that not all labor apparently, or even really, necessary for the production of a commodity, under all circumstances, adds a magnitude of value to the commodity which corresponds to the quantity of labor expended. If therefore today we say offhandedly, along with economists like Ricardo, that the value of a commodity is determined by the labor necessary for its production, we always in so doing imply the reservations made by Marx." (Engels: "Selected Works of Marx and Engels," "Introduction to the 1891 Separate Edition of 'Wage Labor and Capital,'" Vol 1, p 342) This demonstrates that Marx did not offhandedly equate labor with value. It is precisely Marx's important "discovery" that not all labor creates value. This discovery enabled him to thoroughly understand "the value-creating quality of labor." This quality means that labor is only the substance of value, and it is untrue that, under all conditions, labor will create value. The connection between labor and value require a definite medium. That is, labor can create value only through the medium of specific social and historical conditions, or, the labor embodied in a product can become value only when the product of labor turns into a commodity. Therefore, what value reflects is production relations under specific social and historical conditions. The classical political economists' analysis of the relationship between labor and value was not scientific, and one indication of this is they offhandedly equated labor with value, saying that all labor can create value. Commenting on this point, Marx said: "The 'value' of a commodity is only a reflection, in a form consistent with historical development, of something which also existed in all other historical social forms, though in another form; and this is the social nature of labor which is expended as social labor." ("Collected Works of Marx and Engels," "Review of A. Wagner's 'Textbook of Political Economics'" Vol 19, p 420-421) value is only a specific social historical form of labor, and is social labor which can be manifested through exchange. Therefore, the magnitude of value must also be compatible with the magnitude of social need. It is not equal to any specific quantity of labor, especially not to a quantity of the labor which society does not need. Labor that is not needed by society is not social labor, however great its magnitude, and it cannot become value. Engels clearly stated this point when he criticized Rodbertus' concept of value. He said: "Although Rodbertus also touches on differences in labor intensity in a few sentences, labor is still considered in a very general way as something 'consumed,' and is therefore viewed as something for measuring value. Whether such labor is expended under normal average social conditions is not considered.... Is their labor time expended to produce products needed by society in quantities compatible with social needs, or is it expended to produce things that are not needed at all? Or, given that such products are needed by society, is the labor expended to produce products in quantities that exceed or fall short of the magnitude of social needs? None of these questions are touched upon at all. It is only said that labor is labor, and a product embodying a given amount of labor must be exchanged

with another product embodying the same amount of labor." ("Poverty of Philosophy," "Preface to the 1884 German Edition of 'Poverty of Philosophy,'" The People's Publishing House 1961 edition, p 8) This is precisely a viewpoint that Marx objects to.

In analyzing the relationship between labor and value, Marx pays special attention to studying the role of several prerequisite conditions, namely, equilibrium and disequilibrium between demand and supply. If demand and supply are assumed to be in equilibrium, then it is mainly the condition of production under which considerably large quantity of the commodity is produced that plays a regulatory role in the determination of value. However, the small quantities of the commodity that are produced under other conditions of production are also needed by society. Therefore, the specific labor time expended in producing these small quantities of the commodity is also a constituent part of socially necessary labor time, though the acknowledged amount of this specific labor time may be larger or smaller than the actual amount. Under this condition, what determines social value is actually the labor time calculated by taking the weighted average of various specific labor times corresponding to various conditions of production. When demand overwhelmingly exceeds supply, that portion of the commodity produced under an inferior or even the most inferior condition of production will not be of a sufficient quantity to satisfy the social need. Then, the commodity's social value must be determined by inferior conditions of production or even the most inferior one, and the commodity's market price will surpass its social value. Thus, producers who produce the commodity under inferior conditions will also obtain profits. The contrary will happen if supply overwhelmingly exceeds demand. Thus, we can see that because social need plays a role in regulation the conditions of production which determine a commodity's value, it is also directly related to the determination of value.

To sum up the above discussion, the characteristic of labor studied by Marx, namely the ability of labor to create value, at least refers to the following two points. (1) Qualitatively speaking, only labor in specific social historical forms can create value and can be the substance of value, and value is the form in which such labor is historically manifested. (2) Quantitatively speaking, the amount of labor which creates value must be the amount needed by society. Here, by "needed by society," we in the first place mean that the total amount of labor must be compatible with the social need, can the weighted average calculated on this basis give rise to a corresponding amount of value. We hold that these are the "reservations" made by Marx in regard to the classical political economists' concept of labor and value. These rectify the lack of scientific analysis in the classical political economists' concept of labor and value, and also help establish Marx's scientific theory of labor value. By adhering to the viewpoint of the existence of a direct relationship between socially necessary labor time and the determination of value, we do not violate Marx's theory of labor value. On the contrary, we thus adhere to this theory and avoid adhering to the classical political economists' explanation which "has nowadays become totally inadequate."

Thus, we can see that socially necessary labor time in its second sense is an inseparable constituent part of the entire socially necessary labor time. It plays a direct and fundamental role in the determination of value. We can defend Marx's theory of labor value only if we adhere to the viewpoint that socially necessary labor time in its second sense plays a direct role in the determination of value.



### III. The Determination of Value is Tantamount to the Law of Value

Having explained the relationship between socially necessary labor time in its two senses and the determination of value, we can more easily clarify the question as to what the law of value is. We hold that it is relatively accurate to say that the determination of value is tantamount to the law of value, because this proposition reveals the essence of things and is consistent with expositions in classical Marxist works. Although other propositions can also explain certain questions, they more or less fail to get to the heart of the matter, and therefore they are not as accurate as this proposition.

First, to state that the determination of value is tantamount to the law of value is consistent with Marx's expositions on the law of value. A view which has been popular among economists of our country for many years is that although Marx repeatedly mentions the law of determination of value, he does not clearly state that the law of determination of value is the same as the law of value. Actually, this is a mistaken view. Here let us quote several expositions of Marx and make our judgement accordingly.

Volume 1 of "Das Kapital" states: "We know that the value of each commodity is determined by the quantity of labor expended on and materialized in it, by the labor time necessary, under given social conditions, for its production. This rule also holds good in the case of the product that is accrued to our capitalist, as the result of the labor process carried on for him." (Marx: "Das Kapital," translation by Guo Dali and Wang Yanan, the People's Publishing House 1953 edition, Vol 1, p 204; this quotation is also found in "Collected Works of Marx and Engels," 1972 Chinese edition, Vol 23, p 211; or 1962 German edition, Vol 23, p 201; or 1960 Russian edition, p 198; and is also found in "Das Kapital," 1889 English edition, Vol 1, p 166-167.)

The expression, "this rule," in this translation appears as "this point" in the Chinese edition of "Collected Works of Marx and Engels," Volume 23. By reference to the German, English and Russian editions, we find that both renditions are correct and acceptable, because both refer to the rule about the determination of value. Actually, a rule means a law. Let us read another quotation.

"Actually, the law of value does not affect individual commodities or things. It invariably affects the totality of products from various specific realms of social production which are independent of each other by virtue of division of labor. Therefore, aside from the fact that only the necessary labor time is used for each commodity, only the necessary numerical proportions out of the total social labor time are used for various categories of commodities. This is because use value still serves as a condition. However, if we say that the use value of a particular commodity is determined by whether that commodity can satisfy a particular need, then, the use value of the totality of social products is determined by whether these products can satisfy society's needs, in terms of specific quantities, for various specific categories of commodities, and hence, is determined by whether labor is allocated to various realms of production according to proportions that are based on these social needs in terms of specific quantities.... Therefore, all products can be sold out only if they are produced according to the requisite proportions. The numerical limits of various portions of the social labor time that

can be expended in various specific realms of production are merely a reflection of the further development of the law of value as a whole, though here necessary labor time embodies another meaning." (Marx: "Das Kapital," Vol 3, p 716-717)

This exposition of Marx points out that the law of value is one that governs the determination of value by socially necessary labor time. Moreover, it is clearly points out that the socially necessary labor time mentioned here includes socially necessary labor time in its second sense.

The relationship between socially necessary labor time in its second sense and the law of value is more clearly stated in Marx's letter to L. Kugelmann. Marx said the following:

"Everyone likewise knows that to obtain various quantities of products that are compatible with various needs, a definite quantity of total social labor which consists of various categories of social labor must be expended. This necessity of distributing social labor according to definite proportions certainly cannot be done away with by any specific forms of social production. This is self-evident.... Under a social system whereby relations of social labor are embodied in the private exchange of products of individuals' labor, the form in which such distribution of labor according to proportions is effected is precisely the exchange value of these products." "The task of science is precisely to expound how the law of value is put into effect." (Marx: "Selected Works of Marx and Engels," "Letter to L. Kugelmann (11 July 1868)," Vol 4, p 368)

This quotation affirms that the law of value is a law that governs the determination of value by socially necessary labor time, including socially necessary labor time in its second sense. The only problem is that we must also study the form in which it is put into effect. In other words, it is a task of the science of economics to study the form in which the inevitability of distribution of labor according to proportions is realized.

Second, to state that the determination of value is tantamount to the law of value is also compatible with Lenin's thesis that value represents a law governing price. Lenin said: "Price is the reflection of the law of value. Value represents a law governing price. That is, value is the general reflection of price phenomena." ("Collected Works of Lenin," "Another Instance of Eliminating Socialism," Vol 20, p 194) The value of a commodity is created in production. A commodity acquires a price through competition in exchange. Price is always changing, exceeding and falling below value. The reason for changes in price is the changes in the magnitude of the value that is determined by socially necessary labor time, and in turn changes in the magnitude of value are caused by changes in the socially necessary labor time in its two senses. That is, the average labor time necessary for the production of a single commodity, as well as the distribution of the total social labor among various sectors of production according to proportions that are based on society's needs for various commodities, are the basic causes of price changes. This is precisely the key content of the law of value. Price changes only constitute a form of expression of this law. However, under the condition of private capitalist ownership, the determination of value can be effected only through price fluctuations. This is because the perpetual departure of a commodity's price from the commodity's value is a necessary condition. The commodity's value can exist

only under and by virtue of this condition. Moreover, only by virtue of fluctuations in competition, and hence by virtue of fluctuations in the prices of commodities, can the law of value governing the production of commodities be put into effect, and can the rule of socially necessary labor time determining value be brought into play.

Furthermore, we frequently quote Engel's statement that exchange at equal value is tantamount of the law of value. Is this statement contradictory to what we have said above? We do not think so. In making this statement, Engels does not give a definition for the law of value, but intends to rectify Duhring's erroneous expression and to give it a correct meaning. Engels said: "'Labor is exchanged for labor according to the principle of equal evaluation.'" (This is quoted from Duhring.) If there is any meaning in this sentence, it should mean that products embodying equal quantities of social labor can be exchanged for one another. That is, the law of value is precisely the basic law governing the production of commodities. Hence, it is the basic law governing the production of commodities in its highest form, namely, capitalist production." ("Selected Works of Marx and Engels," "Anti-Duhring." Vol 3, p 351) By reference to the context, we find that after criticizing Duhring's mistake of applying the idea of "labor being exchanged for labor according to the principle of equal evaluation" to the realm of distribution, Engels goes on to say that if there is any meaning in this inaccurate statement of Duhring, this statement should not be applied to the realm of distribution, but should be applied to the realm of exchange of commodities. In the "economic commune" designed by Duhring, because commodities and metallic money continued to exist, the law governing the exchange of commodities at equal value, that is, the law of value, would also inevitably exist. Duhring elevated this law to the status of the basic law of the "economic commune." Consequently, the "economic commune" would inevitably fall into ruin and capitalism would inevitably reappear. Under the condition of capitalism, the law of determination of value can be put into effect only in the exchange of commodities and appears as the principle of exchange at equal value. In fact, exchange at equal value is the embodiment of the law of value in the process of exchange. The two things are too closely connected to be separable. Therefore, it is not incorrect to say the law of value can also be called the law of exchange at equal value, as people generally do. However, rigorously speaking, exchange at equal value does not reveal the key substance of the law of value. It only tells us the implementation or form of expression of the law of value. Therefore, we should not take that quotation from Engels as the basis for negating our proposition that the determination of value is tantamount to the law of value.

Moreover, people usually say that the law of value is one that governs the production and exchange of commodities. Undoubtedly, it is correct to say so. This tells us that value is determined in production and brought into effect in circulation. Value cannot be separated from production and circulation. However, rigorously speaking, such a statement merely depicts a superficial and partial outline of the law of value, without correctly pointing out the key substance of the law of value.



'JINGJI YANJIU' ON BENIGNANT ECONOMIC CYCLE

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[Article by Wu Kaitai [0702 0418 3141], Li Guangan [0448 1684 1344], and Lu Beipu [7120 4102 3940]: "How to Effect a Benignant Cycle in the National Economy"]

[Text] At present, people in the country are further implement the policy of readjustment, restructuring, reorganization and upgrading, in order to change the malignant cycle in the national economy to a benignant cycle and swiftly proceed onto the road of healthy development.

In general, a benignant cycle in the national economy means that in the course of social reproduction, the various departments and parts can operate in a harmonious and smooth manner, social production can swiftly expand and the people's standard of living gradually improve. The principal criterion on whether or not the economic proportions are harmonious and the economic effect is good or bad.

In the first 8 years after the founding of the republic, particularly during the period of the first 5-year plan, in general it may be stated that the development of the national economy proceeded rather smoothly and a benignant cycle was in evidence. During that period, the relationships between agriculture, light industry and heavy industry were relatively speaking harmonious, the arrangements for accumulation and consumption were more or less fitting, production steadily increased and there was a noticeable improvement in the people's standard of living. Basically, production, distribution, circulation and consumption were aligned. They simulated each other, and the speed of progress, the proportionate relationships, and the results were overall satisfactory.

However, in the years after 1958, the whole national economy fell into a malignant cycle, because the guiding ideas in economic construction were for quick results and for high speed development without regard to the actual conditions or to the need to achieve an overall balance and good economic effect. The causes leading to the development of this malignant cycle may be further explained as follows: to begin with, unrealistic and high targets were set for production. In order to fulfill these high targets, capital construction investments were continuously increased, to strive for achieving extended and expanded reproduction. Since the scale of the construction work was in excess of the national capability, "gaps" were inevitably created and capacity was widely dispersed. The investment results were very poor and since the equipment in the majority of the enterprises was anti-

quated and technology was outdated and backward, there was no way to improve the quality of products or to enhance the economic effect. On account of the large-scale investments made, the accumulation rate was raised. Moreover, since the investments were principally confined to heavy industry which required huge investments and usually a prolonged period of time for development and yielded slow results, agriculture, light industry and construction of a necessary but nonproductive nature were squeezed out. This created an abnormal economic structure and resulted in the failure for a prolonged period of time to appropriately raise the standard of living of the people and thus in damaging their enthusiasm. High targets and a high accumulation rate brought along low economic effect and a low consumption level.

The several violent fluctuations in the national economy since 1958 all started with the blind striving for an unrealistic high development speed and ended with an imbalance in the proportionate relationships of the economy, poor results and lowering of the speed of progress, thus seriously impeding the development of the economy. Such a malignant cycle should not be allowed to persist.

Since the 3d plenary session of the 11th CCP Central Committee, the central government has advocated the policy of readjustment, restructuring, reorganization and upgrading. This has been the turning point in the national economy, moving from a malignant cycle to a benignant cycle. We began to enter into an initial stage of readjusting the national economy and rebuilding the economic structure, to enable the principal proportionate relationships of the national economy, such as the ratios between agriculture, light industry and heavy industry and the ratio between accumulation and consumption, gradually to head toward a rational and harmonious development. As a result, the accumulation rate dropped from 36.5 percent in 1978 to 32.6 percent in 1980. The standard of living of the great majority of the people improved. However, during 1979 and 1980, due to the reduction in the scale of capital construction not having yet produced must effect, whereas the improvement in the people's standard of living had brought about an increase in the purchasing power of the nation much in excess of the original plan. Financial deficits amounting to 29.7 billion yuan were incurred in these 2 years. The deficits were made up by an overissuance of banknotes in circulation. Thus, on account of the increase in purchasing power having continuously for 2 years exceeded the volume of supply of consumer goods, the retail commodity prices went up by 8.1 percent during these 2 years and dangers were lurking in the national economy. In December 1980, the central work conference of the CCP decided on stepping up the readjustment of the economy. It adopted a resolution to reduce the expenditures in 1981, to strive for a balanced budget, to control the issuance of banknotes and generally to stabilize commodity prices in the market. Since 1981, following further efforts made in readjustment, the scale of capital construction has been greatly reduced, agricultural production was in a prosperous state, the light and textile industries continued to advance at a fast pace, commodity prices in the market were basically stabilized and it was estimated that government finance and credits and loans could basically achieve equilibrium in 1981. It may be said that the general situation conducive to the national economy extricating itself from the malignant cycle and turning to the benignant cycle instead. Nevertheless, stepping up the readjustment work has brought along certain new problems in economic life. The major problems are: much waste in energy consumption and the output of crude oil and coal went slightly downward. Although the production of consumer goods increased rather rapidly yet because the rise in social purchasing power could not be well controlled, the supply of consumer goods still lagged behind. The sinister points were

that the economic effect was not up to expectations, that profit remittances to the state were reduced, deficits of enterprises increased, and fiscal revenues were on the downturn. All these illustrate that we have not yet to free ourselves from the malignant cycle, that while the lurking economic dangers were lessened they had not been completely removed. The current situation is that the national economy is still in a transitional stage from a malignant cycle to a benignant cycle.

It may well be expected that certain problems and difficulties would arise in the course of the readjustment. Our task is to adopt in good time the necessary measures to solve these problems and to strive for the early shifting of the national economy from the malignant cycle to the benignant cycle. How are these problems to be solved? The only correct road is to continue the policy of readjustment, restructuring, reorganization and upgrading so that economic development may proceed along a new road which permits a relatively substantial speed of progress, which produces fairly good economic effect and which provides more benefits to the people.

First of all, we must continue to press forward in the readjustment work and overcome the symptoms of the imbalance in proportionate relationships within the national economy. Only when the proportionate relationships macroeconomically attain harmony can social reproduction progress smoothly and can the economic effect be enhanced. The fundamental condition by which the national economy can enter into a benignant cycle is that of overcoming the imbalance in proportionate relationship in macroeconomics.

Under the present circumstances, to achieve harmony in the proportionate relationships in the national economy, the pivotal points are the following:

First, we must continue to promote the rapid development of the production of consumer goods. Over the last few years the growth rate in the production of consumer goods has surpassed that of heavy industry every year. This development was indeed very rapid. But due to the growth rate in the monetary purchasing power of the residents being even faster, the supply of consumer goods has still lagged behind demand, particularly demands from the countryside. According to a statistical report, of the amount of the social purchasing power formed in the first half year of 1981 some 9.5 billion yuan could not be utilized on account of the shortage of consumer goods. As a result, the amount became cash in the hand or in savings deposits of people. In face of a situation of this kind, hereafter, on the one hand, we should exercise rigid control over the extent of the increase in the social purchasing power and ensure that it will not exceed the state plan. And, on the other hand, we should continue to effect a swift increase in the production of consumer goods. It may be expected that in the near future the increase in the output of consumer goods will exceed that of heavy industry. In this way, the differential between the supply of consumer goods and purchasing power can be minimized, the return flow of currency into the treasury can be expanded, and commodity prices stabilized. It will increase the return flow of currency into the coffers of the state, increase fiscal receipts, help in the solution of current financial and economic difficulties and enable the national economy to free itself from the malignant cycle. However, this will meet the need of the rationalization of our production structure. For a prolonged period of time, the lopsided development of heavy industry has so impeded the production of consumer goods that it has fallen far behind and the ratio of development between the two important departments has not been harmonious while the pro-



duction structure has become extremely irrational. This constituted an important reason why in the past our national economy did not develop smoothly, why the socio-economic effect was not high and why the people did not receive much actual benefit. In the course of the readjustment, we should make the rate of increase in the output of consumer goods exceed that of heavy industry for a state period. Only then can we attain a harmonious development of the proportionate relationship between these two departments and change the cycle of the national economy.

Naturally, the rate of increase in the output of consumer goods exceeding that of heavy industry should not be a long-term and fixed phenomenon. When and as the macroeconomic ratio has become again and the technical restructuring of the national economy is well on its way, heavy industry will naturally regain priority development. But during the period of readjustment, the priority increase in the output of consumer goods is logical and should be allowed. Some comrades have expressed their skepticism about heavy industry not getting priority development during the "sixth 5-year plan" period. This was due to their not having studied the actual conditions. During the "sixth 5-year plan" period, the growth rate of agriculture is planned to be annually 4 percent. At this rate, light industry must strive for a growth rate of over 7 percent, say 8 to 10 percent, otherwise the supply of consumer goods will not be able to meet the demands of the broad masses of peasants and the processing of farm products will not be able to fit in with the increase of raw materials. But in the "sixth 5-year plan" period, the speed of development of heavy industry will be restricted by the limitations in energy supply. Besides, the main direction of economic development then will be shifted from the extension of reproduction to intensification of reproduction and actually it will not be possible to plan for the growth rate of heavy industry to take priority over that of light industry. We do not mean that heavy industry should not enjoy priority development under any conditions. Rather, we mean that we must follow the objective laws in social reproduction and correctly arrange for the relationships between agriculture, light industry and heavy industry. Under the conditions of the prolonged abnormal development of heavy industry and the production of consumer goods having seriously fallen behind, we should give priority to the development of the production of consumer goods. When and as the technical restructuring of the national economy has developed on a large scale and the demand from agriculture, light industry and other departments for goods of the heavy industry has gradually increased, capital construction will steadily increase. With energy supply being in a better condition, then the time will have come for the priority development of heavy industry.

Second, the work of effecting economy in energy consumption must be firmly grasped. Over the past 2 years, because of the past imbalance in the ratio between extraction and conservation, the downward trend and the general insufficiency in energy output have become important factors impeding the shift of the national economy to a benignant cycle. Industrial development will be highly difficult if the energy problem is not solved well and energy supply and demand are imbalanced.

How should the energy problem be solved? From the long-term view, the problem cannot be solved without an extensive development of the energy resources. But the time required for such a development will be many years, and as the saying goes "distant water cannot quench present thirst." For the immediate future, the solution of the energy problem will mainly depend on energy conservation. The crux of the energy problem in our country is the extravagance in consumption rather than production

insufficiency. The gross value of industrial production in our country is equivalent to 1/4 that of Japan but we consume about the same amount of energy. Our per capita energy consumption on the basis of the gross national product is higher by about 200 percent compared with that of the developing countries. Compared with our historical conditions, the amount of national income produced per 10,000-ton of energy consumption is currently only 50 percent of that during the period of the first 5-year plan. It is thus seen that not only is the extravagance startling but also that the hidden potentials are tremendous and much can be done in the direction of energy savings. For this reason, the solution of the energy problem depends to a large extent on energy conservation.

In order to effect savings in energy consumption, we should, on the one hand, readjust the industrial structure, develop more of those industries which consume less energy and develop less of those industries which have already lopsidedly occupied a large ratio of the industrial structure and consume much energy in production. On the other hand, we should be determined to close, suspend or shift to other lines of production those industries which consume much energy but which turn out products of a poor quality and produce poor economic effect. In this way, we can save much energy and raw materials to ensure the normal production of the more advanced industrial plants. Looking further into the future, an even better way of effecting savings in energy consumption is the renewal of the equipment and the technical rebuilding of our current enterprises. During the readjustment period, we should firmly grasp these measures to achieve energy conservation. In this way, even though there is not much increase in energy production, we can still ensure meeting the demands of industrial development and make the national economy enter into a benignant cycle of development and not become helpless in face of the energy problem.

Third, the direction of the services of heavy industry must be reorientated and the renovation and technical rebuilding of the current enterprises must be promoted.

In the first part of 1981, the growth rate of heavy industry, particularly of the machine-building industry, dropped far too much. This was an outstanding factor in the macroeconomic ratio still not being harmonious. A too heavy a drop in the growth rate of heavy industry lowers the growth rate of the whole industrial structure. It lays idle a large part of its production capacity, causes the labor productivity rate of society to fall, increases losses and deficits, and reduces profits, seriously affecting the fiscal revenues of the state. It is an urgent problem in our current efforts to strive for a benignant cycle.

Lowering the growth rate of heavy industry has its normal factors and abnormal ones. In the past, we blindly strove for a high growth rate and expanded capital construction in excess of our own capability. This brought about a lopsided development of heavy industry and an abnormal state of affairs in which heavy industry mainly served capital construction while other current enterprises were neglected. It caused an imbalance in the basic proportionate relationships. Therefore, it must be readjusted. And in the course of readjustment, the gross volume of capital construction investments must be reduced, the composition of the investments must be changed and heavy industry must give a little way to agriculture, light industry and other departments which have lagged behind for a prolonged period. Hence, the decline in the growth rate of heavy industry in the course of readjustment is a logical and natural phenomenon and is a manifestation of the macroeconomic ratio

tending toward normalcy. Nevertheless, the decline in the growth rate of heavy industry in the first half of this year also had its abnormal aspects. Under the conditions of the tense energy situation, the setback in coal production could have been avoided if proper remedial measures had been taken. In particular, the decline in the growth rate of the machine-building industry in the first half year was really too much. This was somewhat related to the defects in the readjustment work done in 1979 and 1980. In these 2 years, we adopted a correct readjustment policy but it was not well implemented, and we failed to achieve an overall balance. For 2 years in succession, despite the call to reduce the scale of capital construction investments, it was never reduced. Rather, over these 2 years, the total volume of the capital construction investments actually increased by 6 billion yuan, and we lost control of the investments raised locally or by the enterprises themselves. At the same time, in raising the purchase prices of agricultural products, the steps taken were a little too wide and too fast, while in certain respects, the granting of bonuses and welfare funds was out of control, exceeding our financial capacity. On account of these defects, the sum total in monetary terms of the accumulation funds and consumption funds exceeded the gross national income. This was manifested in such phenomena as the enormous fiscal deficits for 2 years in succession, currency inflation, and rise in commodity prices. Serious dangers were thus lurking in the national economy. It forced us quickly to reduce, and to put a brake on, capital construction investments. In 1980, the gross volume of capital construction investments amounted to nearly 54 billion yuan. It was planned to reduce it to 30 billion yuan in 1981 (the actual amount was estimated at 38 billion yuan, including 10 billion yuan for building residences, but basically no new demand for machinery equipment was created). This was a direct cause for the too heavy a drop in the growth rate of the machine-building industry. If the plan for the reduction in capital construction investments during 1979 and 1980 had been firmly carried out, if the people had slackened their steps in increasing their consumption, if, at the same time, the readjustment work had been well centered on altering the production structure (and not lopsidedly stressing a change in distribution value) and if the readjustment of the direction of services of heavy industry had been timely and quickly carried out, then, the steps for reducing capital construction investments in 1981 would not have been so urgent and the fall in the growth rate of the machine-building industry would not have been so sudden and so heavy. Naturally, this does not mean that in the first half year of 1981 we should not have further and determinedly stepped up the readjustment work. As a matter of fact, in the circumstances of the dangers that had already been lurking in 1980, the reduction of the capital construction investments must necessarily be carried out, otherwise the lurking dangers might further intensify and there would not have any possibility of getting rid of the malignant cycle. For this reason, the firm determination on the readjustment work in the first half year was an absolute necessity. The crux of the problem did not lie in the firm determination of readjustment in the first half year of 1981, but in the defects of the work done in the last 2 years. It would appear that speaking these words now are serving in the capacity of a "Monday morning quarterback." But the main idea is to emphasize that the readjustment work must first of all aim at altering the production structure. As for changing the ratio of value distribution, it must fit in with the possibility of changing the production structure and not be out of line with it.

This being the case, what should be the counter measures to be taken? Some comrades have suggested expanding anew the scale of capital construction, in this way to reduce the loss in development suffered by the heavy industry. This suggestion is not correct. Generally speaking, at present the scale of capital construction is still



fairly large. Construction and completion of the large and medium-sized items will require an outlay of some 86 billion yuan. Any large increase in this amount is beyond the capability of the country. Nor would it be practical to take the former road. The only correct policy is to speedily readjust the direction of services of heavy industry so as to shift it from originally serving capital construction alone to mainly serving the renovation and technical rebuilding of the equipment of the existing old enterprises. In the first half year of 1981, it was advocated that the machine-building industry should shift the direction of its services to the following: serving the technical rebuilding of the national economy, serving the internal consumers' market, serving export trade and serving the modernization of national defense. This represented a measure to enable heavy industry, which has the machine-building industry as its pivotal center, to take a correct road to normal and healthy development. At present, heavy industry has already achieved a relatively noticeable development in the area of producing daily-use electric appliances, making of metallic products and expanding the export trade. However, what is more important is that it must serve the renovation and technical rebuilding of the equipment of existing enterprises. Something has yet to be done in this connection.

For a prolonged period of time, we have been enthusiastic about new projects, new establishments, new plants and expanding capital construction. We have paid insufficient attention to renovating and technically rebuilding the equipment of old existing enterprises. Many of the plants established in the 1950's and 1960's were not technically backward at the time of their openings. But for more than 20 years we have neglected the renewal of their equipment. So by now, their equipment is antiquated and technically backward. Moreover, much of it is still being operated despite its feeble and "sick" conditions. This is an important reason for the low economic effect of our industrial production and for the malignant economic cycle. At present, on the one hand, heavy industry does not have sufficient production tasks and much of its production capacity is lying idle. On the other hand, the old existing establishments are in dire need of having their equipment renewed and technically rebuilt. The task now is to swiftly link these two together so that between them a benignant cycle may be formed, thus facilitating the smooth development of the economy.

We should carefully note that renewing and technically rebuilding the equipment of the original enterprises play an important role in bringing about a benignant cycle. First, the growth rate of heavy industry which has the machine-building industry as its pivotal center has fallen too far. This may be ascribed to the reduction in the capital construction investments of an extension nature. More appropriately, it should be ascribed to the fact that heavy industry has not yet been shifted in good time to the direction of services which has its pivotal center the renewal and technical rebuilding of the equipment of the existing enterprises. The renewing and rebuilding, step by step, of the existing old enterprises can procure for the machine-building industry and heavy industry a prodigious market, thereby putting in operation their idle production capacity and improving the cycle of the whole economy. Second, developing the program of renewal and technical rebuilding aimed at energy conservation represents a key measure to achieving energy conservation and ensuring the smooth evolution of the economy. Not only can the renewal and rebuilding be directly related to energy savings (such as replacing boilers and furnaces and electric goods of a high-energy consuming nature) and effect enormous savings in energy consumption but also all forms of renewal and rebuilding aimed at conserving

raw materials and raising the labor productivity rate can contribute indirectly to economy in energy consumption. Third, stepping up the development of the production of consumer goods should not depend solely on new building or expanded building of an extension nature but at the same time should pay close attention to renewing and technically rebuilding the equipment of the existing enterprises. Fourth, the renewing and technical rebuilding of the old existing enterprises have a special feature different from new establishments and expanded construction. It involves less expenses but can speedily upgrade the economic effect of a large number of enterprises and of society as a whole.

Therefore, to engage in the next 5 or 10 years in the renewal and technical rebuilding of the equipment of existing enterprises (including heavy industry) is an important link in shifting the national economy to a benignant cycle. This also constitutes a new road of shifting the old method of developing the economy mainly through extension to a new one mainly through intension. Effecting this change will solve the main problems impeding the changeover to a benignant cycle. From the long-term view, the renovated enterprises can bring into full play their beneficial effects for a rather prolonged period and may serve as, and conserve, strength for the "seventh 5-year plan" and for subsequent development programs. Hence, we should treat the renovation and technical rebuilding of the old existing enterprises as of a highly strategic value. In the past, particularly in the last years of the 1950's, the task of undergoing a technical revolution was advocated strategically. Unfortunately, it died an early death. It is time now to bring up once again this strategy in the agenda.

Commencing now, we should, in a planned manner and step by step, upgrade the renewal and technical rebuilding of the equipment of the existing enterprises. Concurrently, we should continue to vigorously develop the production of consumer goods, step up the readjustment of the direction of services of heavy industry and thoroughly implement the various measures aimed at energy conservation. The grasping of these various important measures will speed up the realization of a benignant cycle of the national economy.

Naturally, the enforcement of these various measures requires the solution of many problems of which the financial problem is an outstanding one. In this connection, we must vigorously expand the sources of funds and utilize the funds rationally. At the present, it is still very difficult to achieve a balanced budget and it will be thus difficult to seek more appropriations from the state. We should, on the basis of developing production and raising the economic effect, suitably readjust the policy of financial allocation, ensure that financial revenue goes rather than decreases, and enable financial receipts and expenditures gradually to increase but also to retain a basic state of balance. At the moment, we should pay special attention to strengthening the taxation work. In the composition of financial revenue, tax receipts are gradually in a more important position than the remittances of profits from the enterprises to the state. But our taxation system is in a very unhealthy state, the tax collecting organs are not forceful enough and the problem of tax evasion is an outstanding one. We should quickly strengthen the taxation system and also strengthen the tax-collecting organs. All taxes should be collected and remitted to the state to enhance its financial position. Nevertheless, taking a general view of the situation, it appears quite impossible in the near future to increase to any great extent the appropriations from the state. Under such condi-

tions, we should act according to our own capability. Ours is a socialist state, basically different from the conditions under the capitalist system. We cannot afford to undertake more capital construction to add to the red figures of the state budget, otherwise the national economy will be in a very bad shape.

However, we can still supplement the sources of funds from other avenues. In more recent years, an enormous change has taken place in the distribution of funds in our country. Funds within the state budget have relatively speaking been reduced, while there has been an increase in funds of the society not covered within the budget. At present, funds outside the state budget are in the neighborhood of about 50 billion yuan. Funds belonging to the enterprises have increased rather rapidly. In 1980, the deposits of enterprises amounted to 56.3 billion yuan, an increase of 9.8 billion yuan over 1979. In addition, the income in monetary terms of people in cities and the countryside have also increased very rapidly. Last year, the savings deposits of people in the cities and the countryside amounted to some 40 billion yuan, an increase of over 11 billion over the year before last. From January to October 1981, the savings deposits were increased by 9.5 billion yuan, totaling 49.4 billion yuan. Besides the bank deposits, cash in the hands of people amounted to nearly 30 billion yuan. These changes in the economic conditions remind us of the need to strengthen the role of the banks in order better to absorb and utilize the funds of society. Naturally, on noting these large amounts of deposits in the banks, some comrades may think that they can be utilized to grant more bank loans and credits of a medium or short-term basis for purchases of equipment (an increase of some 10 billion and several hundred million yuan). This is not realistic, because at present the deposits have been mostly absorbed by various kinds of loans and financial overdrafts. However, hereafter the financing of capital construction cannot depend solely on funds from the state, but rather on the fuller utilization of the banks to absorb more funds from society at large. This point is extremely important. As for how to absorb funds from society and to what extent they should be absorbed, we should leave these problems to the relevant departments and research units to study and provide us with their conclusions and the necessary theoretical explanations. What should be done at the present moment is to swiftly proceed to strengthen our banking structure, set up separate systems for the Central Bank and the various specialized banks and in this way enable the banks to better perform their functions. Bank loans and credits should be included in the comprehensive financial plan of the state and they must be in strict pursuance of the regulations of the state. Meantime, we should be on guard against credit inflation.

Besides utilizing banks to raise funds from society, we should also actively and effectively utilize foreign funds. At present, it is not that we cannot obtain any foreign loans but that we do not know how to make use of them. The ability to use foreign funds boils down to the word "use." If the funds are used well, then there will be good results, we dare to borrow more and have the ability to repay. Many lessons have been derived from the use of foreign loans in the past. Of them, two points deserve special attention. They are: (1) We failed to study first how to use the funds. We did not first of all do the planning work, study the possible uses and then apply for the loans. Rather, we borrowed the money first and prepared the items for their use afterwards. This has brought about many problems. (2) There was no responsibility system. Nobody bore the responsibility for any grave mistakes made. Hence, foreign loans cannot be used well if these two defects are not rectified. Thus, we must strengthen the study of the possible uses of the funds



and make an overall analysis and comparison of the possible economic effect in regard to such problems as the possible supporting role of internal funds, the contradictions between imported machinery and equipment and the domestic machine-building industry, the ability to repay, and the method of using the foreign funds. On this basis, we can create the necessary conditions and make use of the foreign funds more effectively. At present, we should seek more long-term loans at low interest rates for the construction of strategic items such as energy resources and others. We can use, in a lively way, various cooperation methods such as joint capital ventures, cooperative development, compensation trade and so on, concerning medium-sized and SMAIP IOBNS and the technical rebuilding of our current enterprises. This can lead to saving time and raising the effect.

The use of the funds is more important than raising funds. At present, first, the investment effect is poor and the construction period is too long. In the budget, those large and medium-sized items requiring construction time of more than 10 years occupy 25 percent while the great majority of the rest require a period of over 5 years. Second, the proportion of circulating funds is much too great. In the 1980 budget, the amount of circulating funds earmarked for state industrial enterprises amounted to 101.9 billion yuan, equivalent to 31.2 percent of these enterprises' gross output value, or 120 percent of their remittances to the state. All these are manifestations of our irrational use of funds, of the low economic effect and the economic malignant cycle. During the "sixth 5-year plan period," we must use the funds rationally and endeavor to step up the speed of the turnover of funds. At the same time, we must strive to shorten the construction period, undertake less new construction work, but do more renovating and rebuilding work on existing enterprises. We must undertake fewer items that require a long construction period and yield slow results but more of those that require a short construction period and turn out quick results. We must do well the preparatory work prior to making investments and thus upgrade the investment effect.

The foregoing are the main problems related shifting to a benignant cycle with a bearing on economic readjustment work and efforts to harmonize the macroeconomic ratios. However, in order really to bring about a benignant cycle, we must also start from the microeconomic aspects and raise the production efficiency of individual enterprises. At the moment, the management and operation of many enterprises are in a very poor shape. The labor discipline in these enterprise is lax. Their production procedures are not normal, the quality of their products is poor but the production costs are high and the overall economic effect is very low. Raising the production efficiency of each and every enterprise forms the basis for upgrading the economic effect of the whole society. For this reason, the task of reorganizing the enterprises cannot be neglected. Over the past 2 years we have paid comparatively more attention to readjustment and restructuring but not sufficient attention to reorganization work and actually lacked the necessary and effective measures in this connection. The time is ripe now to assign a more prominent role to reorganization work and to earnestly put it into effect, thus achieving an overall implementation of the eight-character policy. In order to perform well reorganization work, not only must we know the correct economic measures but also must pay great attention to overcoming the weak and loose state in political work. Our enterprises are under the socialist public ownership system. Devoid of strong political and ideological work, it is impossible to handle well enterprises under the public ownership system. It is necessary to carry out a persuasive and detailed ideological educa-

tioning program to make the cadres and the masses take the whole situation into consideration, rouse their spirits, and make positive contributions to effect a change for the better in the national economy.

In order to enable the national economy to quickly changeover to a benignant cycle, it is necessary to proceed firmly to change the economic structure. The irrational state of the economic structure is closely related to the defects in the past, such as an imbalance in the proportionate relationships, poor management and control of enterprises, and the low economic effect. Many of the readjustment and restructuring measures taken require the coordination of reorganization work to achieve better results. Hence, we must proceed with such reorganization work which is helpful to readjustment. At present, the reorganization trial points have been in operation for nearly 3 years. Many problems have been encountered and much experience has been gained. They must all be earnestly summarized. From the experiences gained in the past 3 years, one point is especially worthy of note. It is that concurrently with enlivening the microeconomic activities, the management and guidance of macroeconomics must be strengthened. The enthusiasm of the cadres and of the staff and workers must be aroused, while at the same time, the guidance and control of the state plan must be reinforced, so that the microeconomic activities fall in line with the demands of macroeconomic policymaking. Do not harbor the thought that under the socialist system, the autonomous activities of the enterprises can all fall in line with the demands of society and with the interests of the whole. Devoid of control by the state plan, or not regulated by economic levers, or not supervised by economic legislation and administration, a state of anarchism harmful to social interests can ensue. Therefore, following the expansion of the decisionmaking power of the enterprises, we must be adept in the use of economic measures to control the economy and make use of such economic levers as prices, taxation, credits and loans, and so forth, to regulate the economic activities of the enterprises so that they may suit the demands of the state plan. We should also resort to economic legislation to strengthen supervision by the state and to prevent the blowing of ill wind in the production of the enterprises which is detrimental to the interests of the state.

Over the past 2 years, the steps taken in expanding the decisionmaking power of the enterprises have been rather fast and wide but the economic levers and economic legislation have not fully played their role. This is an enormous contradiction. As we see it now, while economic levers and economic legislation cannot well play their role, the steps in expanding the decisionmaking power of the enterprises should not be too fast. Since the move to expand the decisionmaking power of the enterprises has started, we should as soon as possible improve and strengthen the economic levers and economic legislation work. Henceforth, the pivotal point in reorganization work should be on bringing into full play the role of the economic levers and economic legislation.

In a word, in the overall implementation of the eight-character policy of "readjustment, restructuring, reorganization and upgrading," we should take a new road to economic development, namely, the correct road of enabling our current national economy swiftly to enter into a benignant cycle. If we follow this direction, then after several years of effort, our national economy will basically turn for the better, and gradually shift onto the track of a benignant cycle.

In the course of taking the above-mentioned road to strive for the benignant cycle, in our planning work we must give close attention to correctly handling the problem of development speed. Over the past 20 years and more, the malignant cycle has begotten very serious effects. They cannot be all removed overnight. In the first few years, we had been exceptionally careful. But in the past, our lopsided chase for speed brought us heavy setbacks and this was the cause for the evolution of the malignant cycle. Before the national economy has got rid of the malignant cycle, our demands cannot be too hasty nor can we overemphasize development speed, otherwise it would be disadvantageous to the changeover to the benignant cycle. During the "sixth 5-year plan" period, due to the many economic difficulties confronting the state, to make the weak and sick national economy go on the road of the benignant cycle, many problems have yet to be adjusted and solved. To demand a high growth rate for the national economy at this time would be unrealistic and impractical. Strategically speaking, in determining the growth speed of the national economy during the "sixth 5-year plan" period, we should start from the reality of the moment. We should "look backward and forward." On the one hand, we should, based on the conditions of the development of the economy and the tapping of the production potentials, lean heavily on upgrading the economic effect. On the other hand, we should create the necessary conditions for future development.

It may be said that under definite conditions a high or low speed denotes the state of the economic effect. But speed may not be in line with the economic effect. Looking back at the actual conditions of economic development over the past 32 years, there was a time when speed and economic effect were in unison with each other. Take for example the "first 5-year plan" period. During that period, the speed of production development was fast, the proportionate relationships within the national economy were harmonious, the economic effect was good, and there was a rapid improvement in the standard of living of the people. There was also a time when speed and effect were in opposite directions. Take for example the 3 years of the "great leap forward." At that time industrial production increased rather rapidly, consumption of material resources rose steeply, large quantities of products were produced and stockpiled in warehouses, the economic effect was very low, and the standard of living of the people decreased. During the period of the 10 years of chaos, the speed of the development in industrial production, calculated on the basis of production value, was also rather fast but in reality the economic effect was low. Hence, there must be a concrete analysis of speed. We must guard against speed which is false, which has no actual effect, or which is highly fluctuating. What we want is speed which is steady and strong, which has reserve strength, and which can steadily grow. Speed of this kind is in line with economic effect and is precisely the result of a correct economic effect. Hence, in planning work, we must seek speed from upgrading the economic effect and should not unduly emphasize speed and neglect the economic effect. Strategically speaking, in regard to speed in economic development, three lines of thought are open to us: First, we may follow the old line of blindly chasing after speed. In this case, during the "sixth 5-year plan" period, the speed could possibly be a fast one, but it would decrease in the "seventh 5-year plan" period. This is not acceptable. Second, the speed could be relatively fast during the "sixth 5-year plan" period, but would become stagnant during the "seventh 5-year plan" period. This is also not acceptable. Third, the speed is a little slow during the "sixth 5-year plan" period but after the "seventh 5-year plan" period, it would steadily rise. This is really practical and realistic and is the best one. By following the third line, if during the



"seventh 5-year plan" period the technical rebuilding of the enterprises can be completed and definite results achieved in the reform of the economic management structure, then the 1990's, the speed can be relatively increased. Besides, it can be a high speed which is realistic and can produce results. Furthermore, if at the same time outstanding results can be achieved in such directions of work as lowering the production costs, speeding up the turnover of funds, shortening the construction period, and so on, the economic effect can be conceivably upgraded. In such a case, the national income not only can rise step by step correspondingly with increases in the gross output value but may also slightly surpass it. Developed in this way, by the end of the century, the economy of our country will reach a new level. There will be signs of a fairly well-off society. The basic needs of our people in livelihood and in education and culture will be comparatively speaking better met.

There is no basis for pessimism in our country's future economic development. We have the superiority of the socialist system, the correct leadership of the party, 1 billion of industrious and brave people, and comparatively rich resources. At the moment, we have a political situation of stability and unity, and a relatively good international environment. Moreover, we have built a rather firm foundation. Starting from now, if only we can realistically and practically grasp and earnestly absorb the good and bad aspects of our experiences in economic construction, act in strict accordance with the objective laws, adopt a realistic and practical attitude in guiding thought in economic work, insist on following the principle of doing according to our capability in the strategic arrangements for economic development, insist on the thought of achieving an overall balance in economic planning and achieve a gradual improvement in the economic management structure, then it is certain that our national economy can swiftly be shifted onto a benignant cycle and emerge prosperous on all sides and that the targets of the four modernizations can certainly be realized.

CSO: 4006/324

## NATIONAL POLICY AND ISSUES

### 'JINGJI YANJIU' ON BALANCE OF NATIONAL ECONOMY

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[Summary by Pei Junsheng [5952 0193 3932]: "A Summary of the Problems on the Overall Balance of the National Economy Discussed During the Past Year"]

[Text] The overall balance of the national economy is the basic requirement of the socialist planned and proportionate development. In the whole economic work, the overall balance is a matter of fundamental importance, which has a bearing on the overall situation of the national economy and is a practical matter in actual economic life which warrants a better solution. Comrade Chen Yun long ago pointed out: "Doing economic work without paying attention to the overall balance makes us unable to move a single step." The practice of the economic construction since the founding of the PRC has proved that how people understand and put into practice the overall balance in the economic work has a great impact on the development of the national economy.

Since the 3d plenary session of the 11th CCP Central Committee, after making a comprehensive appraisal of China's economic situation at that time, the CCP and the state has decided to carry out the eight-character policy of readjustment, restructuring, reorganization and upgrading in the national economy. In order to better implement this policy, in December, 1980 the CCP Central Committee decided to carry out further economic readjustment so as to stabilize and then proceed to develop the economy and ensure the steady growth of the economy. Not long after that, in the process of summing up the historical experience of China's economic construction, the CCP Central Committee formulated that we should find out a new path for developing China's economy, a path which requires less investment without too high an accumulation rate, promises better economic results, provides the people with more substantial material benefits and help bring into fuller play the superiority of the socialist system. Blazing a new trail through readjustment and reform is, in essence, aimed on the one hand at readjusting the economic structure and putting an end to the serious disproportions in the national economy so as to rationalize the economic structure, raise the economic effect and put the national economy on the healthy orbit of the planned and proportionate development and on the other hand at planning the production, construction and people's livelihood as a whole in terms of the policy of construction and in proceeding from the idea of doing everything for the people so as to enable the economy to move from a malign circle toward a benign circle and ensure the steady growth of the economy.

After the symposium on the theoretical problems on the overall balance of the national economy held in Shenyang, in early 1981, China's economic theoretical workers and economic planning workers continued to further explore new ways to find solutions to realizing the above-mentioned goal and requirements and achieving an overall balance. Some of the problems are now summed up as follows:

#### 1. The Question of the Choice of Overall Balance and Development Strategy for the Economy and the Policy for Construction

The overall balance of the national economy is not a matter of method. It is restricted first of all by the development strategy for the economy and the construction policy and simultaneously serves them. True, the situation in which for a long period of time, China's national economy has been seriously out of proportion is related in a certain degree to the failure to achieve an overall balance, but the fundamental reason lies in the guiding thinking which resulted in the deviations in the choice of the development strategy for the economy and in the construction policy. This finds expression in the failure to better proceed from China's national condition, take the strategical goal, key point, steps and measures for developing our economy into account and formulate a series of positive and prudent strategy and tactics.

Some comrades point out that during the early days of the founding of the PRC, owing to the historical conditions, in terms of the strategy and goal for economic development, we indiscriminately copied and applied the development strategy for the economy of the Soviet Union and failed to choose a correct development strategy along with the changed situation. The development strategy for the economy we have practiced for a long time relies chiefly on the construction funds accumulated domestically. The national economy has been developed by taking the construction and giving priority to heavy industry as the point of departure. Along with the development of heavy industry, light industry and agriculture as well as other industrial departments, an independent and complete industrial system and national economic system have been gradually established and the people's livelihood improved step by step. There are some difficulties in coordinating China's basic national condition with the implementation of such a development strategy for the economy. The errors made in carrying out the development strategy for the economy are mainly the result of setting too high and too impatient a demand on the development of heavy industry, thus divorcing ourselves seriously from China's basic national condition and bringing us various negative consequences. The formation of China's lopsided economic structure, the various instances of serious disproportion in the national economy and big ups and downs in economic development are closely related to this state of affairs. Furthermore, all this has gravely hindered the sustained, steady and high-speed development of our national economy. (Wang Xiangming and Dong Fureng: "The Problems on the High Speed of Socialist Economic Development," *Jingji Yanjiu* No 4, 1981)

Some comrades indicate that in looking back over what we have traversed, the first 5-year plan could hardly be regarded as being entirely correct, since it had already leaned to the left. At that time, China was a backward agricultural country. In terms of construction policy, we were confronted with two roads: one was to give first priority to agriculture and then to light industry and on this basis to further develop heavy industry step by step. The other was to mechanically copy and



apply the experience of the Soviet Union in giving priority to the development of heavy industry. We eventually took the latter. However, allowing things to develop in this way, it was easy for disproportion to occur in the national economy. In 1956 Comrade Mao Zedong soberly realized this danger, which was embodied in his "ten major relationships." However we criticized "combating rash advance" at the end of 1957 and the beginning of 1958, thus resulting in the 1958 great rash advance. From then on, we followed a wrong path in our economic construction. Xue Muqiao: "How should the economic effect be improved in terms of macroeconomics?" Quoted in XINHUA WENZHAI No 8, 1981 and originally published in JINGJI LILUN YU JINGJI GUANLI No 3, 1981)

Some comrades hold that if we could readjust China's development strategy for the economy in good time after establishing the initial foundation of heavy industry, namely, put the satisfaction of the needs of the people in the position of the strategic goal of development and readjust the proportionate relations between heavy industry on the one hand and light industry and agriculture on the other, then China's economy would already have developed more smoothly. (Dong Fureng: "A Discussion on the Development Strategy for the Economy," Liaowang No 5, 1981)

Some comrades also maintain that in the past owing to the errors made in choosing the goal of development strategy for the economy plus lack of a sober understanding of China's basic national condition, a great number of serious errors were also made in the methods and path for our economic development. They are mainly: First, in construction and production, blind efforts were concentrated on excessively high quotas at the expense of economic effect. Second, one-sided emphasis was put on the development of heavy industry to the neglect of agriculture and light industry. Third, expanding reproduction relied merely on undertaking new capital construction projects, thus paying no regard to bringing the role of existing enterprises and their technological transformation and renewal of equipment into play. Fourth, the output of primary and intermediate products, such as steel, was stubbornly and one-sidedly sought to the serious neglect of product pattern and quality, and the production of finished goods in particular. Fifth, one-sided stress was put on high accumulation rate at the expense of the consumption requirements of the people. Sixth, undue emphasis was put on the idea that the more people we have, the easier it is to accomplish things, thus resulting in the lack of control of family planning. Seventh, the principle of achieving rejuvenation through self-reliance was interpreted in a one-sided way and our country was, in fact, walled off from international exchanges.... (Ma Hong: "A Tentative Study on the New Strategy for China's Economic Development," quoted in XINHUA WENZHAI No 11, 1981 and originally published in "The 1981 Yearbook of China's Economy") Owing to the errors and deviations made in the choice of the development strategy for the economy and the construction policy, in drawing up plans for developing the national economy, we have, for a long period of time, calculated and carried out quotas for the development of the various departments in accordance with this unrealistic big goal "in an inverted way." In this way the overall balance has become practically groundless. As a result, although industry, and especially heavy industry, developed at a relatively rapid pace for a certain period of time, this was accomplished at the expense of agriculture and light industry as well as the consumption of the people, thus leading to serious disproportions in the national economy. In appearance, the growth rate of production was not slow, but the real wealth created was very little and the people derived little benefit from it. (He Jianchang: "The Basic Guideline of Socialist Construction: Working for the Interests of the People," JINGJI [word indistinct] No 11, 1981)

It seems that we are justified to say that the summarization of the past experiences and lessons, the correct choice of the strategy and goal for the economic development made on the basis of a sober appraisal of the national condition and the correct formulation of the policy of socialist construction are the preconditions for doing a proper job in achieving an overall balance. Otherwise, the overall balance will be hard to obtain.

## II. The Question of Overall Balance and Reform of the Economic Structure

China's present economic management system is a system with a high degree of centralization which takes administrative management as the dominant factor. This economic system does not tally with the objective laws of socialist economic development. Over the past three decades, despite undergoing several reforms, China's economic system has all along revolved around the old conventions of administrative management from the center to the grassroots overlapping with administrative areas at the local level. Since the 3d plenary session of the 11th CCP Central Committee, our country has been carrying out some experimental work in the reform of the economic structure and some achievements have been scored. This work is correct in its general orientation. The reform of the economic structure has posed a new task to the overall balance of the national economy. Some comrades deem that China's past economic balance was planned, preconceived and prearranged. This is the characteristic of the socialist economy, which we must uphold. Its strong points are that they enable us to concentrate limited funds on specific fields so as to help balance the economy. When serious imbalances in the economy arise, they will also enable us to concentrate strength to overcome the imbalances at a relatively fast speed. However, this renewed balance is sometimes achieved at the expense of the other fields. In appearance, the economy is already balanced but in reality, the imbalances of the other fields are concealed by the appearance of false balances. Therefore, the planned, preconceived and prearranged balance established by the central authorities in a centralized way is far from enough and it must be supplemented with the "feedback" mechanism. This "feedback" mechanism means regulation by market mechanism. However, the regulation by market mechanism must be an organic component of the socialist planned economy rather than a component outside the planned economy. For this reason, at a time when there is a lack of complete and well conceived overall balance and when no fundamental changes have taken place in the existing economic structure, in carrying out reform of the structure, it is necessary to adopt some centralized measures to overcome these serious imbalances, in other words, it is essential to strengthen state planning and guidance in terms of macroeconomic policy decisions and do a proper job in achieving an overall balance. (Dong Fureng: "The Balance of the National Economy and Reform of the Economic Structure," *Shehui Kexue Jikan* No 3, 1981)

Some comrades consider that with the development of horizontal economic relations, in carrying out the reform of the economic structure during the readjustment stage, the role of the guidance of state planning must be enhanced so as to suit the reform to the requirements of socialized mass production, to ensure the proportionate development of the national economy and to avoid blindness in production and construction. But the main efforts and energies of the state must be focused on the work of comprehensively maintaining an overall balance and on drawing up plans and arrangements for the major goal of economic development, the major proportionate relations, the living standard of the people, the scope of capital construction and other major construction projects. Only in doing so can the guiding role of a

state plan be brought into real play. (Liao Jili: "On the Problems of Reform of China's Economic System," "The 1981 Yearbook of China's Economy.")

There are also some comrades who think that during the reform of the economic system, while revitalizing microeconomics, macroeconomic control must be tightened. They also hold that macroscopic control does not equate to regulation by planning mechanism, still less does it equate to planning of a mandatory nature. The contents of control involve the total process of the social economy and the methods of control include administrative measures, economic measures or a combination of both. No problems can be solved by relying on a single plan. The socialist economy is a planned economy. Practicing planned management in the national economy is the characteristic of a socialist economy. The term planned management includes two functions: Planning and control. A plan is the goal of an action and an assumption for the economic development worked out by people in accordance with objective laws. Under the unified leadership of the state, it is entirely necessary to draw up plans through the overall balance which more or less tally with the requirements of the proportionate development of the economy and make them the united target for the whole body of the laborers to conscientiously accomplish. However, as a will of the collective, a plan cannot be fulfilled spontaneously. To fulfill or to approach the fulfillment of a plan, the state has to carry out necessary readjustment and exercise control over the process of the economy. Diverse means and ways must be adopted in exercising control and control must be carried out in many fields. In the limits of the scope of macroeconomics, it is necessary to establish such controls as administrative management, legal management, key construction, material and goods management, funds management and labor management. (Jiang Yiwei: "The Essence of the Reform of the Economic Management System is the Realization of Socialist Economic Democracy," "The 1981 Yearbook of China's Economy")

There are still some comrades who regard that while studying the question of the orientation of the reform of the economic system and overall balance, it is still necessary to study the pattern of economic system we are going to choose. It must be able to play an important role in restricting the disproportions in macroeconomics. That is to say, it is essential to study a certain pattern of economic system which can play the most effective role in restricting the disproportions in the national economy. (Wang Zhou and Huang Jubo: "We Must Study the Theory of Restricting the Disproportions in the National Economy," Xueshu Yanjiu No 4, 1981)

### III. On the Task and Purpose of Overall Balance

The "resolution on certain questions in the history of our party since the founding of the PRC" points out that Comrade Chen Yun held that plan targets should be realistic, that the scale of construction should correspond to national capability, that consideration should be given to both the people's livelihood and the needs of state construction, and that material, financial and credit balance should be maintained in drawing up plans. This idea of Comrade Chen Yun was of great significance at that time and still holds good. This is an important experience derived by the CCP Central Committee from summing up the experiences in socialist economic construction, which has also pointed out the orientation and tasks of the overall balance of national economy.



In the light of the experience of our country, some comrades take the view that to do a better job in the overall balance, it is necessary to recognize that the proportionate development is an objective law. Otherwise, it is still difficult to avoid doing things over and over again. On the condition of recognizing this law, some specious arguments in our practical work must be eradicated: First, the supposition that there must be "a key link" in developing the economy. Second, the supposition that demands that surpass possibility can spur people on to greater efforts. Third, the supposition that production capacity must not be allowed to stand idle and that one should produce as many products as one can. Fourth, the supposition that production decides consumption and the acknowledgement that it is only good to have an upswing in production, no matter what is produced. (Liu Shinian: "Who Must the Proportionate Development of the National Economy be Realized?" Xuexi Yu Tansuo No 3, 1981)

Some comrades are of the opinion that the term overall balance refers to the total balance of the national economy affecting the overall situation and also the balance of the total process of social reproduction. The total process of social reproduction includes such links as production, distribution, exchange and consumption. Balances should be maintained among the inner sectors of these links and between the different sectors. This requires that the various partial plans should be strictly coordinated and be dovetailed with each other and should constitute a unified economic plan. It is necessary to proceed from the overall situation of the national economy and make a comprehensive calculation instead of developing oneself by relying on squeezing out the other departments. That is also the case with the development of the other departments. (Wang Mengkui: "Solid Attention Must Be Paid to Overall Balance," Zhongguo Caimao Bao 14 February, 1981)

In terms of the contents of overall balance, some comrades make it clear that financial, credit, foreign exchange, material, market and labor balance should be maintained, of which special attention should be paid to obtaining balances in revenue and expenditure, bank loans and materials supply and demand. (Zhou Ying, Luo Jingfen and Yu Zhifang: "Some Problems on the Methods of Overall Balance of the National Economy," Xueshu Yuekan No 3, 1981; Luo Jingfen: "How Should Overall Balance of the National Economy be Carried Out?", Jingji Lilun Yu Jingji Guanli No 3, 1981) Some comrades point out that when these three major balances are achieved, the whole economic situation can be stabilized. Disproportion and economic chaos are more often than not started with the aim of disrupting these three major balances. (Wang Mengkui: "Solid Attention Must be Paid to Overall Balance," Zhongguo Caimao Bao" 14 February, 1981) Some comrades remark that from the angle of overall balance of the national economy, planning itself tolerates the existence of a deficit. The plan with a deficit is a plan which runs counter to the principle of maintaining an overall balance. We must never indulge in overall balance with a deficit. (Yang Jianbai: "On the Practical Problems of the Socialist Market," Jingji Yanjiu No 1, 1981) Some comrades still consider that on the basis of doing a good job of maintaining the three major balances of finance, credit and materials, we must do a good job in achieving "balances between the accumulation funds of value formation and the accumulation funds of use value formation and between the consumption funds of use value formation," so as to maintain balances between the total demand of accumulation and consumption and the total supply of the national income. (Wang Jiye and Wu Kaitai: "Readjustment and Overall Balance," Hongqi No 4, 1981)

Some comrades hold that in order to do a proper job in the overall balance of the national economy and achieve steady economic growth, it is necessary, in terms of the strategic restriction method and the offensive restriction method, to ensure the proportionate coordination and steady development of the national economy in accordance with the theory and methods that national strength restricts the scope of construction as proposed by Comrade Chen Yun. The term strategic restriction method refers to the fact that agricultural development and construction restricts the industrial growth rate. The term offensive restriction method refers to using the balances between revenue and expenditure in finance, credit and foreign exchange and the balance between supply and demand of commodity materials and the unified balance among the four to restrict the coordinated balances in the four links, namely, production, distribution, circulation and consumption. (Wang Zhou and Huang Jubo: "We Must Study the Theory of Restricting the Disproportions in the National Economy," Xeshu Yuekan No 4, 1981)

Some Comrades think that in the overall balance of the national economy, apart from handling well the relationship between the speed and proportion of national economic development, attention must be paid to the economic effect. Generally speaking, the coordination of speed and proportion may produce a fairly good effect. However, speed and proportion, and effect are not one and the same thing. In the development of the national economy, various combinations of different forms may emerge among them. Therefore to achieve a good effect in this economic readjustment, it is necessary to do a good job in the overall balance by taking the economic effect first. That is to say, first, in proceeding from consumption, it is imperative to do a good job in the overall balance and handle well the relations between semi-finished products and end products and between the production of the two major categories on the one hand and agriculture, light industry and heavy industry on the other. Second, it is essential to do a good job of overall balance by taking energy as the foundation, constantly reduce the material consumption of social production and coordinate the speed and proportion of national economic development. Third, it is necessary to do a good job of overall balance with the emphasis on economic effect and promote the unity of investment and effect. Fourth, it is imperative to do a good job of overall balance centered on national income and to measure the national economic effect in a comprehensive way. (Jin Hongxun and Shen Hong: "Do a Good Job of Overall Balance With the Main Stress on Economic Effect," Shenui Kexue Zhanxian [Social Sciences Front] No 3, 1981)

The aim of socialist production is to satisfy the ever growing material and cultural needs of the masses of the people. For this purpose, the starting point and end-result of the overall balance must meet these needs on the basis of the development of production. Some comrades point out that the fundamental idea embodied in the method of carrying out overall balance centered on the balance of the two major categories in proceeding from consumption is to unify the methods of balance and the aim of socialist production. The methods of balance we practiced in the past, such as "taking the construction of heavy industry as the center" and "taking steel as the key link," were precisely the result of our failure to link them up with the general aim of social production. During these decades, though our production developed at a relatively fast speed and many capital construction projects were undertaken, little improvement was made in the people's livelihood and at times it even dropped. Only by practicing the method of overall balance proceeding from consumption and centered on the two categories, can we ensure the healthy develop-

ment of the national economy. (Ou Yangsheng: "Some Theoretical Problems on Overall Balance," Shehui Kexue Jikan No 5, 1981)

Some comrades consider that vigorously developing the production of consumer goods and giving prominence to the development of the production of consumer goods is the key to rationalizing China's economy and also a question of crucial importance in the chess game of enlivening our economy. The readjustment of the national economy must be carried out in particular around the development of the production of consumer goods. This will help readjust China's lopsided economic structure and ensure the steady growth of the economy. With a rationalized economic structure, we will be in a position to take a path which requires less investment without too high an accumulation rate and too fast a speed, that promises relatively good economic effect, that enables our economy to develop and increase in a harmonious and stable way, helps realize a benign cycle, provides the people with more material benefits and helps bring into fuller play the superiority of the socialist system. (Ji Long: "Carry Out the Readjustment Policy and Substantially Develop the Production of Consumer Goods," Jingji Yanjiu No 5, 1981) It can be expected that only when the economic structure is rationalized, can a benign cycle be maintained among the various sectors of the national economy, between production and circulation, between production and consumption and between accumulation and consumption, and can fairly good macroscopic and microscopic economic effects be achieved. Therefore, coordinating the relations of various departments around the development of the production of consumer goods and arranging well the relations of the two major categories so as to ensure steady growth of the economy are a new subject and new task in doing a good job in the overall balance of the national economy and also the point of departure for overall balance.

CSO: 4006/324



## NATIONAL POLICY AND ISSUES

### 'BA YI' CHIDES DENG XIAOPING'S ECONOMIC POLICY

OW230155 (Clandestine) Ba Yi Radio in Mandarin 1400 GMT 21 Feb 82

[Text] Ostensibly, Comrade Deng Xiaoping no longer handles routine work of the state. But the certain leader in the central authorities still [passage indistinct]. Everyone, regardless of his position, should firmly abide by the resolution abolishing the lifelong tenure for cadres, which was adopted by the party Central Committee long ago. Whoever is eligible for retirement should retire and should not continue to hold on to party, government and army power.

Some of the policy decisions made by Comrade Deng Xiaoping in the past few years are not correct. We only need to mention that, since Comrade Deng Xiaoping has been in control, China has turned from a country having neither foreign nor domestic debts, to one which has both. A total of some 9 billion yuan state treasury bonds have been issued in the past 2 years, while foreign debts already exceeded 3.4 billion dollars last year. Payment on the annual interest of such huge debts is already a heavy burden. As an old saying goes, wind is dreadful in chilly weather just as debts are a nightmare to the poor. However, there is this person who thinks debts are a panacea for getting rid of economic difficulties. In less than 2 years, since China joined the International Bank for Reconstruction and Development and the International Monetary Fund, our country has already borrowed 550 million dollars from these 2 organizations and is requesting an additional 6 billion dollar loan. In view of our country's (?low wage) system and considerable financial revenues plus foreign and domestic debts incurred each year, we should have sufficient funds for developing industrial and agricultural production. However, because of the [words indistinct] and economic readjustment in recent years, military expenditures in general have been greatly reduced and a million PLA commanders and fighters have been forcibly demobilized, while the number of unemployed has continued to rise.

The above-mentioned problems have been caused by the fact that, as in the past, whoever becomes ruler pushes his own economic line and practices a bureaucratic, patriarchal system in leading national economic construction. Knowing nothing about economics, he insisted on formulating the policy himself, issued directives and wasting hundreds of millions of yuan without achieving any result. Next, the certain individual in the central authorities has urged others to build up the country and manage a household through thrift and hard work while he himself willfully squanders the people's hard-earned money. The war against Vietnam alone

wasted more than 2 billion yuan. The support for Kampuchea's Sihanouk and POL pot costs our country several hundred million yuan every year. The annual military aid to the Afghan guerrillas and Pakistan amounts to tens of million yuan. Compensation paid to Japan for the cancellation of contracts, which the Chinese side signed blindly, totalled 1.5 billion dollars.

Obviously, relying on debts to solve the problem is just like cutting our a piece of one's flesh to cure a boil. To continue to implement the erroneous line and policy, which means to borrow heavily, can only further obstruct modernization in the four fields, especially in national defense.

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## ECONOMIC PLANNING

### REPORT ON SHANXI GOVERNMENT WORK AT PEOPLE'S CONGRESS

Taiyuan SHANXI RIBAO in Chinese 29 Dec 81 pp 1-3

[Report on government work by Luo Guibo [5012 6311 3134] at the Fourth Session of the Fifth Provincial People's Congress on 23 December 1981]

[Text] Fellow Deputies:

On behalf of the Shanxi Provincial People's Government, I am now to report on the work of the government for deliberation and examination by the Fourth Session of the Fifth Provincial People's Congress.

#### I. Work in the Past Year

Since the Third Session of the Fifth Provincial People's Congress held in February 1980, the provincial people's government has implemented the guiding policies of the Party Central Committee and the State Council in carrying out further economic readjustment and achieving political stability. In accordance with the spirit of the Resolution of the Sixth Plenary Session of the 11th Party Central Committee and under the guidance of the Party Central Committee and the State Council, the governments at various levels have led the people of the province in overcoming difficulties through hard work and in winning new achievements on various fronts.

1. We had a good agricultural harvest despite serious drought. In the past year, the province introduced the system of responsibility for agricultural production and developed economic diversification in the countryside. These measures helped to arouse the enthusiasm of the broad masses of peasants. At present, 86 percent of the production teams in the countryside have adopted the system of linking planned output with remuneration. Adoption of the system of responsibility in various forms has brought about a closer combination of responsibilities, rights and interests for the producers, overcome the defects of "eating from the same pot" and equalitarianism in varying degrees, and given an innate driving force to the collective economy. This is a major readjustment of the production relations in the countryside since the days of the cooperative movement and has given a strong impetus to the development of agricultural production. At the same time, we have implemented the directives of the Party Central Committee and the State Council concerning the development of economic diversification in the countryside, the emancipation of minds, and the adoption of flexible policies, and have succeeded in making use of our strongpoints and steering away from our weaknesses,



opening more avenues of wealth, and developing commune- and production brigade-run enterprises and household sideline production. Our work has now entered a new phase. Some localities have achieved fairly good results. In Zuoyun County, for example, the individual income has reached 160 yuan. This year, the province experienced a drought rarely seen since the founding of the People's Republic. Thanks to the unprecedented enthusiasm and initiative of the broad masses of peasants, who heroically combated the drought through intensive farming, the total grain output in the province, according to our estimate, can reach 14 billion jin, 2.1-percent increase over last year's. Cotton output is expected to be reduced by approximately 470,000 dan below that of last year because of the frequent rains and low temperatures in Jinnan Prefecture. The total output will be approximately 1.08 million tons. Because of the spring drought, the output of oil-bearing crops is expected to be reduced by approximately 420,000 dan below that of last year, but the total output will be approximately 2.25 million dan, which still makes this the second year of bumper harvest. The output of beetroot is estimated at 3.65 million dan, a 56-percent increase over last year's. Tobacco output is estimated to be 2.65 times that of last year. The plan to afforest some 2.4 million mu of land will be completed according to our estimate. The output of meat, eggs, milk and other animal products has increased, compared with last year, and the commune members' household sideline production has developed a great deal. The peasants in many localities have said: "The policies have been good for several years, and we can have full meals. We all feel good and work with great energy." The correctness of the whole set of rural policies adopted by the Party Central Committee has once again been proved in practice. Of course, some defects and problems exist in certain localities in adopting the system of responsibility for agricultural output. Some people have mistaken this system for "individual farming on divided plots," or the distribution of farmland according to the number of people. In some localities, people did not pay much attention to choosing the form of responsibility system to suit local conditions and arbitrarily imposed the same form. In other localities, people divided up collective property or even carried out disruptive activities. These problems and phenomena are only side issues in the work as a whole, and people in various localities are summing up their experiences and adopting measures to provide more active guidance for further improving and consolidating the responsibility system.

The poverty in the mountainous regions has been changed. This year, the state has allocated a special fund of 18 million yuan to support construction in the poor mountainous regions. The provincial government has also organized its personnel to conduct investigation and study of the resources in eastern Shanxi, and on the basis of the results it will formulate plans for the development of the mountainous regions.

2. Because of the implementation of the policy of readjustment on the industrial front, production of consumer goods has been greatly increased and energy production is steadily developing. To speed up the production of consumer goods, we have actively tapped the potential of and carried out technical renovation and transformation among the existing light and textile enterprises. The metallurgical, chemical-industrial, military-industrial and machinery trades have also developed and supplied raw and semifinished materials and technical equipment for the light and textile industries, while more than 10 heavy industry enterprises have partially been retooled in produce consumer goods. Some enterprises have adopted the

method of "sending out" and "inviting in" in developing economic and technical coordination with advanced enterprises in fraternal provinces and municipalities, with good results. It is estimated that this year's light and textile industrial output value will exceed that of last year by approximately 10 percent. The output of the pharmaceutical industry may exceed that of last year by approximately 20 percent. According to November statistics, the output of bicycles, sewing machines, electric fans, sugar and household laundry machines exceeded that of last year by more than 50 percent, and that of laundry soap, toilet soap, chemical fibers, leather shoes, silk and woolen yarn increased by more than 20 percent. The quality of products has been improved compared with last year, and some 200 new products and new varieties have been added. The Taihang-brand sewing machine continued to occupy first place in a comparison and evaluation meeting with 16 other plants in the north.

Technical transformation is being carried out among the existing mines on the coal front. The weak links have been strengthened, while the imbalance between extraction and tunneling and the long-standing inadequacy of safety measures have been effectively corrected. The annual coal production plan for the province was overfulfilled 44 days ahead of schedule, and it is estimated that by the year-end, the coal output may be as high as 125 billion tons, or more than 12 million tons above the state plan. In the power industry, particular efforts were made to readjust the imbalance between transmission and transformation, and 329 kilometers of new transmission and transformation lines have been put up. By September, we began to supply power to the Beijing, Tianjin and Tangshan power grids. From January to November, the generation of power exceeded that of last year by 2.6 percent. The Taiyuan Railway Bureau overfulfilled the state plan for freight transportation by 9.7 percent, and it is estimated that the volume of freight by highway transport will be 14.8 percent above state plan. State plans for the main products of the chemical industry and metallurgy will be fulfilled or overfulfilled.

While implementing the policy of readjustment, the majority of enterprises operated at or above county level have adopted the system of economic responsibility for industrial production. Experiments in the expansion of decisionmaking power are continuing among 109 enterprises, and 56 integrated organizations in various forms have been set up for the production of certain key products after industrial reorganization. These measures of reform are still in the initial stage, but good results have been produced.

This year, the total industrial output value is expected to be lower than last year's by approximately 2.3 percent. An objective reason for this reduction is that the task of readjustment has been heavy, and one-third of all units have operated under capacity. Furthermore, some enterprises have been closed or suspended, and it takes time for the services of heavy industry to be reoriented. As for subjective reasons, we did not fully realize the need to preserve a certain rate of industrial growth during the readjustment period, and could not clearly see the strongpoints of heavy industry, which occupies a high ratio in the province. Therefore, the change in its service orientation has not been fast enough. Although we were aware of the need for producing daily consumer goods, our minds were not sufficiently emancipated, our vision was not broad

enough, and we did not work with enough energy in this direction. Consequently, we failed to increase some products which could have been rapidly increased. In the latter half of this year, we strengthened our leadership, adopted the system of responsibility for industrial output and stepped up our work in enterprise consolidation. The situation gradually improved, and in November we had the highest monthly output in our history.

3. The scale of capital construction has been reduced. The general scope of investment has been reduced by 43 percent below that of last year, and 114 construction projects were either stopped or postponed. We strengthened the weak lines in our national economy with regard to the orientation of our investment, and the ratios of investment in the coal, light and textile industries were higher than last year. The relationship between the productive and nonproductive sectors was further readjusted. The construction enterprises are now paying great attention to the construction and commissioning of key projects urgently needed for the national economy and the people's livelihood. At the same time, the method of economic contracts was used for some engineering projects, with specified construction periods and work quality. This method helped to increase the pace of construction. It is estimated that by the end of this year, 750 construction projects urgently needed for the national economy and for people's livelihood will be completed and commissioned or handed over for use. For example, the No 4 engine of the Shentou Power Plant has already been included in the power grid and is now generating electricity; the railline from Hantan to Chengzhi has been completed; the expansion of the Changzhi Sewing Machine Plant has been completed and the plant is now in full operation, with the production capacity increased from 50,000 to 200,000 sewing machines. The proportion of completed projects to the total number of construction projects in the province has been increased by 17 percent over that of last year.

4. New achievements were made on the finance and trade front in supporting the development of production and in meeting people's needs in daily life. Initial reforms have been carried out in the commercial system. More than 20,000 commercial stores, restaurants and service centers run collectively or individually have been restored or newly established, and the number of locations for country fairs has been increased to 616. Many different economic sectors, different forms of business and different channels of circulation have appeared, and the market is now much busier than before. The majority of finance and trade enterprises have adopted the system of responsibility for business management and made marked progress in improving their business style, service quality and economic results. Since the beginning of this year, with the approval of the Standing Committee of the Provincial People's Congress, on various occasions we have proclaimed certain local economic laws concerning the need to strengthen industrial and commercial administrative management and have stepped up our economic legislation. From January to November, the goods in stock of state-operated commercial enterprises was increased by 1.4 percent over that of the same period last year, and it is estimated that the total volume of annual retail sales will be increased by 5.3 percent over last year's. On the whole, the market is brisk in both urban and rural areas, and many commodities are in full supply. The supply of grain, edible oil, meat and some other daily consumer goods has been improved, and the prices of people's daily necessities are basically stable. While we made every effort to keep the prices basically stable, the price of some commodities went up. In accordance with state regulations, we increased the selling price of tobacco, liquor, woolen blankets, cotton blankets, bamboo



water jars, leather goods, and wooden furniture, and lowered the selling price of polyester-cotton cloth, nylon stockings, electronic wrist watches, TV sets, electric meters for civilian use, electric fans and some other commodities. However, because of certain loopholes in business management, the price of vegetables has gone up. In the first half year, control over the prices in country fair trade and the prices of negotiated purchases and sales was not strict enough, and some commodity prices also went up in some localities. Some departments and enterprises also raised their prices without authority or in disguise. We must make real efforts to solve these problems and to deal severely with the offenders.

The plans for foreign trade were completed 1 month ahead of schedule, and it is estimated that the volume of our export trade will be 6.8 percent above the annual plan. Taking advantage of the foreign exchange at the disposal of localities and foreign exchange credits, and through leases, we have imported some equipment which has helped raise the technological level of the textile industry in our province. The export of local coal from our province is expected to amount to 690,000 tons, with foreign exchange earnings totaling 32.2 million dollars.

Fairly good results have been achieved in increasing revenues, curtailing expenses and accumulating funds by the financial and banking departments, which have also played an important role in supporting various production and construction projects. The quotas of financial loans to the state and of national treasury bonds we have to buy have all been fulfilled or overfulfilled. Because of the decrease in industrial output in the first half year and the lower income for the enterprises, our financial revenues for the current year are expected to be reduced by 140 million yuan, which amounts to 6.7 percent of our budgeted revenue. However, through the curtailment of expenditures in various fields, our budgeted expenditures will be slightly more than what we will actually spend, and it is estimated that a balance between receipts and expenditures can be realized. Of course, this kind of balance cannot be stable.

5. In science and technology, implementation of the principle of serving economic construction has yielded new fruit. The Shanxi University of Agriculture has successfully cross-bred tetraploid land cotton with diploid wild seboishi cotton and has gained an intermediate material with very strong potential in cotton seed breeding. This is a new breakthrough in the breeding of cotton seeds. The provincial people's government has given awards for 108 important scientific achievements, and has strengthened the application and popularization of these achievements. The 53 key products which have been included in the plan for popularization throughout the province have in particular yielded remarkable economic results. Some enterprises which were in difficulties have gained new life and have undergone development through the application of these new scientific and technical methods. They have also carried out preliminary reforms in the system of scientific and technical management and continued to promote the competent scientific and technical personnel to higher positions. This year, another 709 persons have been promoted to the ranks of high-class scientific and technical personnel, while 15,390 others have been promoted to the ranks of intermediate-class scientific and technical personnel. A number of talented persons were also discovered and given important jobs. New progress has been made in academic activities and the popularization of science, and many forms of technical consultation service have been established. In developing the national economy, science and technology have played an increasingly important role.

6. In the course of readjustment, culture, education, public health and sports are also making progress. The institutes of higher learning have consolidated the organization of teaching and research sections for various subjects with a view to improving teaching quality, while the training of teachers and academic exchanges with other key institutes in the country have been stepped up. The leading bodies of colleges and various departments have been initially readjusted and strengthened, with particular attention being paid to the promotion of those comrades who are young, healthy and professionally competent to the forefront in teaching. Leadership over the teaching of mathematics and scientific research has also been strengthened. We have provided security for the teaching staff by further implementing the party's policy on intellectuals. Readjustment has been made in the pattern of secondary, elementary and senior secondary education. Reform was carried out among some secondary and elementary schools, and the method of division into quick and slow classes was corrected. The restructuring of education is now in the experimental stage, and throughout the province, the number of vocational and technical schools and agricultural secondary schools has been increased to 342. We paid great attention to the popularization and consolidation of elementary education, and allocated funds for schools in the mountainous regions and to support the training of teachers. The number of elementary school graduates has increased by 5 percent over last year. Schools of various types and at various levels have carried out such activities as learning from Lei Feng [7191 6912], learning from Luan Fu [2940 5397], and striving for "three merits" and for "five stresses and four points of beauty." Political and ideological work has been strengthened among them.

The public health departments have continued to improve the hygienic and medical facilities as well as the procedures in receiving medical treatment. In the majority of hospitals at or above the county level, systems of economic management and job responsibility for doctors and nurses have been instituted. Many localities have gained good results in family planning. Because of the vigorous campaign for one child for every couple, the natural rate of population growth, according to our estimate, can be held at approximately 1.1 percent. In cultural work, we have realized the need to combat and rectify the tendency toward liberalization and commercialization, and a number of good literary and artistic works have appeared, in addition to other publications which the public enjoys reading. We have also made some new breakthroughs in sports. In the national sports meet, the athletes of our province won 42 championship titles and smashed the national record in 16 events. Several fine selected players even set new records in international contests and won honor for the motherland.

7. Social peace and social order have begun to improve. As a result of the intensification of publicity and education in democracy and the legal system, and the crackdown on criminal offenses, more cases have been satisfactorily closed this year than last year. With the preservation of peace in the cities as the focus of work, we meted out severe and swift punishment according to law against criminals who seriously jeopardized social peace. The broad masses also cooperated with the public security personnel in struggling against the criminals, while the militia in the province played an important role in protecting production and construction and in preserving social peace. The strengthened socialist legal system as a deterrent force induced many criminals to surrender themselves and confess their crimes, and many escaped convicts also returned on their own

initiative. Justice is now on the ascendancy while bad tendencies are on the decline. On the whole, however, social order is not entirely stable. The problem of juvenile delinquency is fairly serious in some places, and the city traffic conditions are poor, resulting in many accidents. The social order and the social atmosphere have not yet been basically improved.

8. The PLA units stationed in Shanxi and the provincial military district units have achieved outstanding success in protecting the four modernizations, supporting industrial and agricultural production, preserving social peace, strengthening militia building and supporting the government and cherishing the people. At the same time, the governments at various levels have done a great deal of work in supporting the army and giving preferential treatment to army dependents, and in relocating demobilized and retired soldiers. Thus the unity among the army, the government and the people has been further strengthened.

9. We have made new progress in foreign affairs. In the past year, we received a huge number of foreign guests, organized many goodwill visits and professional inspection tours to foreign countries, and thereby stepped up our economic, cultural, educational, scientific and technological exchanges and cooperation with foreign countries. Friendly city and school relations between us and foreigners have been initially established. We have also done a great deal of publicity work abroad, in developing tourism and in improving our work for overseas Chinese and foreign economic aid.

10. The people's livelihood has been improved on the basis of developed production. The area of completed workers' dormitories in the cities this year is expected to be the same as last year. In the countryside, however, the situation of living space has been greatly improved. Since the Third Plenary Session of the 11th Party Central Committee, according to our investigation, more than 4 million new houses (caves) have been newly built by some 800,000 commune member households in the province. In urban construction, the water supply has been improved in Yanquan and Datong municipalities, and tap water is now available in 29 county cities including Huairan, Xiaoyu and Guxian. Work on environmental management and the disposal of the "three wastes" have been stepped up, and cooking stoves are being remodeled. Thanks to the solicitude of the Party Central Committee and the State Council, the Taiyuan Gasification Company has been established as a joint venture by the Ministry of Coal Industry and our province. The advance work for producing coke-oven gas is now proceeding in earnest. The utilization of residual gas in the plants of Taiyuan municipality has enabled some households to be provided with gas. In accordance with the normal procedure of employment in the cities, unemployed youths on the waiting list last year will be given priority, and by the end of this year, we expect to give jobs to 180,000 persons. Each peasant will receive an estimated average income of 133 yuan from collective distribution and household sideline production. That is 11.5 yuan more than the amount last year. There were 328 production brigades in which the average individual income from collective distributions exceeded 300 yuan. Because of increased job opportunities, wages for urban workers have been raised. Teachers in secondary and elementary schools and some medical workers and sportsmen also had their wages raised. According to statistics at the end of November, savings deposits in the urban and rural areas this year exceeded those of last year by 316.84 million yuan. The average deposits of each city dweller amounted to 210 yuan, an increase of 12 yuan over last year. Gratifying changes have occurred in many rural areas, as shown by "the purchase of large articles, the building of new houses, getting sons married, and eating fine grain." In poor and



backward areas where the peasants had to "depend on grain resold to them by the state, loans for production and relief subsidies," the problem of food and clothing has been initially solved.

## II. The Present Situation and the Tasks in 1982

As already mentioned, the general situation in the province is good. Politically, in the past year we have continued to eliminate the effects of "leftist" ideology and have rehabilitated many victims of unjust, false and wrong charges in implementing the party's policies. At the same time, we paid great attention to social order, and the political situation has distinctly improved. After carefully studying the Resolution of the Sixth Plenary Session of the 11th Party Central Committee, in particular, the cadres and people in the province emancipated their minds, dispelled their mutual misunderstanding, and strengthened their unity, thus preserving and developing political stability and unity and enabling the leadership at various levels to concentrate its energy on economic work and the further readjustment of the economy. Economically, readjustment in the past 3 years, and particularly this year, has helped to correct the serious disproportion in our province's national economy. Agricultural production has developed very rapidly. Since the third quarter of this year, the downward trend of industrial production has been reversed, and production has continued to increase every month, marking a good start for its development. The general situation of financial receipts and expenditures is good. The prices of daily necessities for the masses are basically stable. Our economic work has embarked on the path of steady development, and it is anticipated that the situation will be even better next year. Therefore, we must have a clear understanding of, and confidence in, continued improvement. Of course, we must also note that we are still confronted by many problems and difficulties. Our reduced revenues will bring about difficulties with our expenditures next year. The supply of commodities still cannot match the growing social purchasing power, and some enterprises still remain in a backward state. On the whole, the results of our economic work are very poor. Hereafter, we must make every effort to solve the problems now confronting us.

Premier Zhao Ziyang's report on the work of the government adopted by the Fourth Session of the Fifth National People's Congress, which has just been adjourned, gives a meticulous analysis of our economic situation. In the report, he laid down 10 principles for our economic development. This report is a very inspiring document. Now that the cardinal principles for our four modernizations have been determined and the new road of economic construction has been pointed out for us, our task is to adopt realistic and effective measures in the light of realities in our province and to make determined efforts to implement the principles adopted and approved by the Fourth Session of the Fifth National People's Congress, to consolidate the gains already won and then to continue the implementation of the policy of readjustment, restructuring, consolidating and improvement so that the economy in our province will undergo an active but steady development which will be maintained at a realistic but not exaggerated pace.

Our main objectives in 1982 are as follows: a total industrial and agricultural output value of 15.63 billion yuan, a 7-percent increase over this year, including a total agricultural output value of 4.13 billion yuan--which is a 7.3-percent increase over this year; a total industrial output value of 11.5 billion yuan--

which is a 7-percent increase over this year; a 10-percent increase in light industrial output; a 5.3-percent increase in heavy industrial output; 130 million tons of coal output; 12.8 billion kWh of generated electricity; and a revenue of 2.01 billion yuan, or a 5.6-percent increase over this year's budgeted amount.

To attain these objectives, the following tasks must be carried out with great energy on various fronts:

1. Continue to rely on correct policies and science in speeding up agricultural development.

Under the unified leadership of the party committees, governments at various levels should organize groups of cadres to go to the countryside to assist in improving and consolidating the system of responsibility for production at the basic levels this winter and next spring. These cadres should extensively and intensively publicize the principles and general and specific policies behind the responsibility system, and repeatedly stress that the orientation of collectivization, the system of public ownership of the means of production including land, and the system of responsibility in various forms will never be changed. As long as the present system of responsibility in various forms is satisfactory to the people and can bring about good economic results, it will be maintained, further consolidated and perfected. In the units where the responsibility system has not been established, these cadres should mobilize the masses for a full discussion and help them set up such a system for the purpose of developing their production and improving their economic results. The broad masses of cadres and people should be convinced that fixing output quotas on the basis of households and overall responsibility for output do not mean "individual farming on divided plots" at all. Responsibility for the assigned plots should be based on the availability of labor, and the production and livelihood of the "four categories" of dependents and the households under the "five guarantees" should be properly taken care of. The relationship between unified control and the responsibility system should be clearly defined. Generally speaking, various forms of responsibility system should be set up with unified planning, unified accounting and unified distribution of labor power as the prerequisite, so that the individual initiative of commune members and the strong points of unified undertaking under the collective economy can be more effectively integrated. The means of production and other facilities for production belonging to the collectives must be carefully protected and fully utilized. They must not be divided up or destroyed under any pretext. The mass line should be upheld in work, and guidance should be provided on the basis of local conditions so as to foster the creative spirit of the masses.

We will continue to implement the principle of "sparing no efforts in grain production while striving for economic diversification." We should combine our investigation in the natural resources with the work of zoning; actively and steadily readjust the crop pattern and agricultural structure; develop our agricultural economy in a rational way; and raise the marketable rate of agricultural products. Grain production should be steadily developed and the output per unit area should be increased. The production of wheat, beans, sorghum and various minor food grains should receive great attention in order that our success in

producing 15.3 billion jin of grain can be assured. The development of cash crops should be treated as an important task, and particular effort should be made to complete the planned acreage of sowing for cotton production so as to guarantee a total output of 1.65 million dan. There should be increased or greatly increased output next year of oil-bearing crops, beetroots, cured tobacco, cocoons, vegetables, fruits and medicinal herbs. We should further support commune- and production brigade-run enterprises and household sideline production and encourage planting, breeding, mining and tunneling, processing agricultural sideline products, building construction, the production of building materials, communications and transportation, and commercial services so that agriculture as a whole will undergo all-round development, including the development of agriculture, forestry, animal husbandry, sideline production and fishery, and advance along the road of agricultural, industrial and commercial integration. We should give full play to our policies in order to promote the development of cash crops and economic diversification and to increase the peasants' income. Any method that is inconsistent with the system of production development should be promptly readjusted. We should plant trees and grass to preserve the ecological balance as a strategic task for the benefit of future generations. The party's forestry policy should be conscientiously carried out, and the issuance of certificates of possession should be carefully handled. The enthusiasm of state forestry farms, collectives and individuals should be aroused to launch a national afforestation campaign. All people in the province should respond to the call of the Fourth Session of the Fifth National People's Congress for a national obligatory afforestation drive. Each able-bodied citizen should plant three-five trees each year and make sure that they grow well. Tree-planting, afforestation and forest-production should be combined. The amount of felling should be strictly controlled, and indiscriminate felling should be strictly forbidden. Cases of destruction of forests which have already taken place must be investigated and handled one by one so that the culprits will be duly punished. Livestock breeding should be developed in both mountainous regions and plains. Attention should be paid to the breeding and feeding of draft animals. We must note that the stock of hogs and sheep is decreasing. We must have firm policies for hog breeding and encourage the commune members to rear more of them. People in the city suburbs should conscientiously carry out the principle of mainly producing vegetables and insure that suitable acreage is provided for vegetable production. We should adapt our activities to the new situation of practicing the system of responsibility for production, strengthen leadership over scientific farming, popularize the use of fine strains and other advanced techniques of planting, and effectively carry out comprehensive pest prevention. We should continue to carry out farmland capital construction and the preservation of water and soil, take good care of the existing irrigation facilities and use them to full advantage. At present, we should attend to our winter production and be well prepared for spring farming and production next year.

## 2. Improve the economic results and maintain an unexaggerated rate of industrial growth.

The rate of industrial growth in our province has been set at 7 percent. In appearance, this growth rate seems quite high. Premier Zhao Ziyang pointed out in his report on the work of the government at the Fourth Session of the Fifth



National People's Congress: "Efforts should be concentrated on extracting coal in Shanxi Province." This shows the heavy trust placed on Shanxi as well as the honored task for us. The broad masses of workers and staff members on the coal and transportation fronts should insure a steady fulfillment of the tasks of coal production and transportation every month in order to make great contributions to the state. Making full use of the existing foundation and conditions, we should strive for comprehensive utilization of coal and develop the production of chemical fertilizers, various coking products, synthetic materials and gas. The planning, scientific and technological, coal and chemical-industrial departments should carry out joint research and work out a plan for the comprehensive utilization of coal. In the electric power industry, continued efforts should be made to complete transmission and transformation lines so that the existing power generating equipment can be used to full advantage and the consumption in the province and the supply of electricity to the Beijing, Tianjin and Tangshan power grids can be assured. We should increase the capacity of the existing railways and the intersection points so that the state's transportation plan for coal can be fulfilled. At the same time, the transportation of other materials should be well organized. Highway construction should be developed through the method of walking on two legs--that is, the combination of government subsidy and reliance on communes and production brigades for repairs and maintenance--so that new routes can be opened for transporting the locally produced coal and the agricultural sideline products produced in mountainous areas to other areas. In the production of consumer goods, the several major trades involved in the production of light and textile goods, foodstuffs, chemical-industrial products for daily use, building materials and so forth, should be given special attention. They must strive to produce the means of subsistence urgently needed by the people and the means of production. All departments concerned should open more avenues and remove obstacles, and they should continue to uphold the principle of "six priorities" in supporting the production of consumer goods in various ways. The light and textile industrial enterprises should promptly readjust their product mix according to changing market demands, speed up the upgrading and updating of their products, improve the quality, design, styles and packaging of their products and produce more high-grade goods. The metallurgical, machinery, chemical-industrial and other types of heavy industry should readjust their service orientation according to the requirements of national economic development, expand the sphere of their services, increase their adaptability, and bring into play their own strongpoints. The metallurgical industry should provide more good-quality and low-price "pipes, plates, belts" and similar materials for agriculture. The machinery industry should serve the national economy through technical transformation and equipment renovation; it should in particular help in setting up coal and energy bases and organizing the production of complete sets of equipment for coal mining so that this province will gradually become self-sufficient in coal mining equipment. At the same time, the production of small and medium-size farm machinery and tools should be given due attention. The chemical-industrial enterprises should produce more goods that are now in short supply.

A certain rate of growth should be maintained in industry. This rate should be realistic in the production of good-quality and easily marketable goods. The improvement of economic results should be the basic starting point. We must not blindly strive for output value simply to maintain a high rate, with resultant

overstocking of new products and waste of raw materials, fuel, energy and funds. With the improvement of economic results of industrial production as the central task, we should strive to do the following jobs well: 1) Consolidate enterprises in separate groups. The key to consolidation lies in strengthening the leading bodies, and all incompetent cadres should be phased out, while a number of young and healthy cadres--who have firmly upheld the lines, principles and policies of the party since the Third Plenary Session of the 11th Party Central Committee and who have professional skill and revolutionary fervor--should be boldly promoted so that the leading bodies will become revolutionized, younger, more educated and professionally more competent. The system of factory directors assuming full responsibility under the leadership of the party committee and the system of workers' congress should be maintained and perfected. The labor organization, labor discipline and financial and economic discipline should all be streamlined. Production should be organized with a fixed quota for fixed personnel. The system of reward and punishment should be strictly enforced, and the enterprise should have the power to mete out economic or administrative punishment even to the point of dismissal, in accordance with regulations, against those who commit serious violations of discipline and fail to turn over a new leaf despite repeated admonitions. In the process of consolidation, we should have the determination to retool, close or suspend those enterprises that produce poor and unmarketable goods and suffer losses over a long period. 2) Continue the steady promotion of the system of economic responsibility. In the past year, the system of economic responsibility was introduced among the industrial and transportation enterprises in our province. The orientation was correct and the result was good. However, as soon as we encounter any new problems, we should continue to explore and sum up the experiences in practice and adopt proper methods for gradual improvement. First, we must clearly understand the economic responsibility of the enterprise to the state and that of the worker and staff member to the enterprise. At the same time, the enterprise must be given certain economic power, and due economic benefit should be given to the enterprise and the worker. In implementing the responsibility system, it is necessary to set advanced average quotas, improve the quality of products, lower the production costs and turn out marketable goods. The arbitrary increase of prices will not be allowed. We must uphold the principle that the state should receive the largest share first and that the enterprise should retain the major part of the rest. We should follow the State Council's regulations and correctly implement the bonus system. The indiscriminate payment of bonuses must be prohibited. 3) Selectively and systematically carry out technical transformation and equipment renovation among the existing enterprises. Tapping potential and carrying out technical renovation and transformation among the light and textile enterprises should mainly take the road of intensiveness, and efforts should be made for the investment to yield returns in the same year. The transformation and construction of the 60 state-operated coal mines and 200 others run by the communes and production brigades should be accelerated. 4) Raise the management and technological levels of the enterprises, carry out all-round economic accounting, total quality control and training for the entire personnel. 5) Continue to promote economic cooperation and integration with fraternal provinces and municipalities and use the strongpoints of others to make up for our own shortcomings in order to promote economic development and to raise the technical level in the province. 6) Pay attention to the safety factor in production and to the protection of labor, adopt positive measures to eliminate possible causes of accidents, and control the development of occupational diseases. 7) Launch social labor emulation by organizing comparisons of the fruits

of labor, economic results and the magnitude of contributions on various fronts. Commendations and rewards should be given to the advanced units and the model workers on various fronts. They should be encouraged to learn from the advanced units, to help the backward ones, to go all out and to aim high.

### 3. Shorten capital construction periods and increase investment returns.

While carefully controlling the scope of capital construction and readjusting the orientation of investment, vigorous efforts should be made to shorten construction periods. In deciding on plans, we should only attempt the possible. We must be able to count on sufficient funds and materials and be sure that the construction can be free from interruption. The advance work should be carefully completed, with particular stress on the three important tasks, namely, feasibility study, preparation of the planning document and examination of the expanded preliminary design. The procedure of capital construction must be strictly complied with. Projects without completed preparatory work will not be included in the annual plan and cannot be started. As to those projects that have already been approved and included in the plans, we should specify the responsibility of each level in the form of contracts on the basis of the determined construction period and the design estimate. Thus the responsibility of all parties will be made clear. The construction enterprises should strengthen their business management and their construction forces, enhance the political and technical quality of their workers, improve the economic results and raise their social prestige.

To change the weakness of our province in the building materials industry, we have carefully attended to the expansion and transformation of several cement plants and plate glass plants so as to alleviate the strain on the supply of cement and plate glass in the province. We should also take active measures for the supply of good-quality and low-price prefabricated concrete structures, steel house frames and other building materials for building houses in the countryside to meet the needs of commune members.

### 4. Prevent environmental pollution and rationally exploit water resources.

Air and water pollution in our province is getting more serious every day and is posing a great hazard to people's health and to the ecological balance. We must have the determination to prevent environmental pollution. We reiterate that all new, expanded or remodeled projects and all projects for tapping potential and for technical renovation and transformation must uphold the "three simultaneous" principle, and the departments concerned should exercise their strict supervision on this point. If the "three wastes" exceed the set limit, fees must be paid according to regulations and a time limit should be set for their treatment. The construction for gasification in Taiyuan municipality should be carried out under the unified leadership of the municipality, and while building the 45-ton coking plant, we should make use of the existing equipment and technical facilities of large enterprises such as the Taiyuan Iron and Steel Company, the Taiyuan Heavy Industry Company, and the Taiyuan Fertilizer Plant; by tapping potential and by technical renovation and transformation, we should develop the supply of gas for civilian use in different areas in different stages. Datong, Yangquan and Changye should adopt positive measures to cope with the pollution situation. We should continue to remodel our boilers and people's cooking stoves, popularize the use



of the honeycomb briquet stove, and improve the quality of the honeycomb briquet. If conditions permit, anthracite should be used.

We should begin to take steps for the care of our land. Investigation followed by exploitation, utilization and improvement of our land resources should be regarded as an important task. The most urgent task of the moment is to protect the farmland and to use it frugally. We must cherish and carefully use every inch of land. After studying the natural agricultural resources and demarcating agricultural zones, we should work out an overall plan for the utilization of provincial and county land and separate plans for the utilization of commune and production brigade land. The use of land for capital construction and private houses must be strictly controlled. The rational exploitation and utilization of water resources are another important task in the use of our national land. The insufficiency of water resources in our province is now very keenly felt, because the underground water table in the several main basins has generally been lowered by 30-50 meters. Spring water is now daily decreasing, and among the 909 reservoirs of various sizes in the province, 411 have dried up. Drawing water from the Huanghe River costs a great deal of money and cannot be undertaken for the time being. However, the consumption of water in industry and agriculture and by the society is continuing to rise, and the waste of water is very serious. If this tendency is not checked, we can foresee that after a certain number of years, the water shortage will assume the dimensions of a provincial disaster. In view of this, we must fully realize the serious and urgent nature of the water problem. The province and various localities should set up special organs for the exploitation, utilization and control of water resources and work out rational plans of exploitation. At present, we must strengthen our control over water. In places where water is scarce, we should not build or expand any plants requiring high water consumption. Recycling of water should be actively promoted in industrial and mining enterprises, so that the water used can be recovered for other purposes. Water meters should be installed in all government offices, plants, mines, army units, schools and private residential houses, and efforts should be made to economize the use of water. The existing irrigation facilities for agriculture should be carefully controlled. The method of widespread spraying should be stopped, and continued efforts should be made to solve the problem of drinking water for people and cattle in the countryside.

5. Strive for improvement of the financial situation by stressing the methods of acquisition, accumulation and spending.

The financial and banking departments should devote their main energy to supporting and developing production and opening more avenues for increasing income. They should pay particular attention to helping the enterprises tap potential, improve their management, carry out all-round economic accounting, lower consumption and production costs, reduce losses and increase economic benefits by eliminating losses and waste. If we can enable the local and state-run industries in the province to bring their profit on every 100 yuan of output value up to the highest level previously attained, our annual revenue will be increased by more than 500 million yuan. Thus we can see the great potential here. Financial and banking departments at various levels should actively raise social funds, while the taxation departments should collect the taxes due for use in supporting various

construction projects. All funds used in supporting industry and agriculture should be reimbursed if at all possible. For investment in capital construction, financial allocations should be replaced by bank loans to the maximum extent. The present waste among industrial, transportation and construction enterprises is appalling. We must adopt effective measures to block all loopholes to prevent waste. For practices such as indiscriminate payment of bonuses (including in-kind bonuses) under various pretexts, drawing salaries without working, withholding of profits which should be handed over to the state, tax evasion and other illegal acts which bring serious losses and waste, the personnel and leadership concerned should be held economically or even legally responsible. Graft and embezzlement, speculation and profiteering, misappropriation of state funds, smuggling and other offenses should be dealt with according to law.

6. Clear the channels of circulation, revitalize urban and rural trade, and preserve the basic stability of market prices.

Commercial workers should support production, strengthen procurement, expand marketing and take good care of supplies. They should increase the channels, reduce the intermediate links and open up more markets for commodity circulation. In the many channels of circulation, state-run commerce should play the leading role and provide guidance, encouragement, promotion and support. It should develop collective and individual commerce in the urban and rural areas in a planned way and organize country fairs. Industrial products can be sold by the industrial enterprises themselves provided unified procurement and marketing (or unified procurement and distribution), planned procurement, procurement by ordering and procurement based on selection receive prior consideration. After experimentation, the basic level supply and marketing cooperatives in the countryside should gradually reactivate the independent cooperative commercial organizations, and the terms of employment for the original workers and staff members should remain unchanged. The supply of industrial products to the countryside should be vigorously promoted so as to meet the peasants' needs for small and medium-size farm tools and other means of production and means of subsistence, and to help in the withdrawal of more currency. The commercial departments should maintain an efficient system of economic information. For the marketing of overstocked goods or goods which are temporarily in excess of demand, they should look for distant markets to promote the circulation of commodities. They should actively improve the methods of procuring agricultural sideline products. In the procurement, marketing and transfer of grain, the province will adopt the method of fixing quotas for different levels so that after meeting the base figure requirements, the producing units will be free to readjust their crop patterns and to dispose of their surplus grain. We should continue to implement and maintain the state's policy of unified procurement and quota procurement for agricultural sideline products. Provided the quotas of these procurements are fulfilled, the communes, production brigades and commune members are permitted to sell their surplus agricultural sideline products with the exception of cotton, which will be procured by the state at an increased price. The grain departments should take the lead of procurement, processing and marketing, gradually reduce the need for government subsidies and supply more foodstuff for the urban and rural populace. Active and steady efforts should be made to practice the system of responsibility for management and to improve the quality of and attitude toward services.

The question of price concerns thousands upon thousands of households and should be considered important. We must protect the centralized and unified control of prices by the state, and nobody is permitted to go his own way or to act as he pleases. Basic stability of prices must be maintained, and the state-run and collective commercial units should set good examples in the implementation of this policy. The production, procurement, transportation and marketing of vegetables should be carefully handled at each link. The production teams should plant and deliver according to plan, and the state-run commercial units should insure an adequate supply of vegetables for the people. Next year, several large-scale inspections of commodity prices will be conducted, and any violation of the price law, such as unauthorized increase in price or disguised increase in price must be dealt with according to administrative or economic discipline, and the violators may even be held legally responsible. We must conscientiously publicize the state's price policy to the broad masses and be ready to refute various rumors in order to reassure the people.

Developing collective and individual commerce, service trade and repair trade is an important way to provide jobs to unemployed youths. The planning, labor, commercial and urban construction departments concerned should give these trades every support and assistance. Collective economy in the urban and rural areas should be developed according to the state's overall planning, with state guidance and support, and under the principles of voluntary organization, responsibility for profits and losses, distribution according to work done, and democratic management. Labor service companies should be established and perfected, and through these companies, unemployed people can be organized for vocational training and for temporary employment.

We should strengthen our unified management of economic and trade relations with foreign countries, make efforts to fulfill the procurement tasks for foreign trade and actively create conditions to develop the export of coal and other commodities. Through cautious investigation and study, we should rationally utilize foreign funds to import the new technology and new equipment urgently needed in the province.

7. Continue to implement the principle of using science and technology to serve economic construction.

In the readjustment and development of various national economic departments in the province, we must use advanced scientific and technological methods to replace the backward modes of production before we can fully tap the innate potential. Therefore, we should attach very great importance to science and technology. Proceeding from the actual conditions in our province, we should direct our main attention to scientific and technological research for the development of agriculture, the production of consumer goods, the building of coal energy bases, the comprehensive utilization of coal and the exploitation and utilization of water resources. We should also organize the technical forces in various quarters to cooperate in tackling difficult problems connected with important scientific research projects and in striving for the solution of important problems affecting economic results. We should popularize the use of the fruits of scientific research and new technology, promote the development of technology in plants, mines and enterprises, encourage plants to conduct scientific research and



technical renovation, and strive to raise the level of production and technology among enterprises. We should strengthen the scientific and technological organizations and contingents in the countryside, and actively adopt a responsibility system for scientific experiments and for linking the popularization of new technology with production. We should encourage scientific research units, design units, institutes of higher learning, units responsible for the popularization of technology and production units to establish various technical economic contracts, to offer technical services and technical cooperation in various forms, and to carry out technical and economic integration. The work of academic and technical exchanges and scientific popularization should be developed. The policy of intellectuals should be further implemented, and the incorrect acts of suppressing talent, inventions and creative efforts should be opposed. We must cherish talent, be able to recognize and use talent, and attach great importance to the discovery of talent. We must employ people according to their ability so as to provide ample scope for talented people to demonstrate their skill. We must give full play to the role of scientific and technical personnel in the capacity of counselors or advisers, and let them participate in decisionmaking for various construction projects. Then a healthy atmosphere of respecting science and scientific and technical personnel will prevail in the society.

#### 8. Develop culture, education, public health and sports.

We must firmly uphold the party's educational policy of "enabling everyone who receives an education to develop morally, intellectually and physically and become a well-educated worker imbued with socialist consciousness." We should educate the students in the four basic principles of loving the motherland, loving the people, loving labor and loving science. They should be taught about the legal system and the need to protect public property. They must be both red and expert, and the tendency to neglect political study or neglect ideological and political work should be overcome. Education should be oriented to the healthy growth of all students and all young people, and the one-sided drive to get higher percentages of students into higher education must be stopped. The system of workload for teachers must be enforced in institutes of higher learning. The teachers in schools of various categories and at all levels should concentrate their main energy on teaching, which includes teaching in the classroom as well as providing guidance outside the classroom, in order to improve the teaching quality. Physical education should be strengthened, the pressure on the students should be reduced, and school management should be improved so as to check the present tendency of physical and visual deterioration among the students. We must continue to consolidate and improve the existing institutes of higher learning, reform the structure of secondary education, popularize elementary education and conscientiously run kindergarten. The practice of diverting educational expenses to other uses must be strictly forbidden. In cultural work, we must uphold the "double hundred" system, firmly uphold the principle of serving the people and socialism, and encourage the literary and art workers to be oriented to the workers and peasants by diligently carrying out creative and publication work, staging more healthy and novel performances, and publishing good books, periodicals and theatrical works which will produce good social effects. We must be careful to overcome the effects of remnant feudal ideas and the tendency toward bourgeois liberalization. Cultural and artistic activities must be developed on a mass scale, and the radio and TV network should be run well.

Public health work should be oriented to the countryside and the masses and provide improved service. The quality of medical work should be improved, with precaution being taken against untoward accidents. To really improve our medical work, we must give full play to the public health network at the county, commune and production brigade levels. We should continue to launch patriotic public health campaigns on a mass basis with a view to eradicating pests and preventing sickness. Unswerving efforts should be made to control population growth. We should advocate late marriage and late birth, pay great attention to genetics and encourage family planning in the countryside. Measures should be taken to reward couples who limit themselves to a single child and to restrict the practice of having two or more children. We should also strive for higher skills in sports and make careful arrangements for the sixth provincial sports meet which, we hope, will reveal outstanding performances. We should popularize mass sports in order to make our people physically strong. We should highly regard our cultural relics, which should be well protected and controlled. Destruction of cultural relics or antiquities must be forbidden, and measures should be taken to combat the smuggling of relics.

9. Strive for further improvement of social order.

Further improvement of social order is an important guarantee of success in various undertakings. Public security departments at all levels should step up their detective work in order to bring their cases to a satisfactory conclusion. Those engaging in criminal acts of homicide, robbery, rape, and criminally caused explosion and arson which seriously disrupt social order must be given relentless blows in accordance with the principles of meting out stiff and swift punishment within the scope of law. We must combine punishment with education and redemption for ordinary lawbreakers, or carry out the policy of punishing a few in order to win over and redeem many. We should also combine severity with leniency in accordance with the policy of "leniency to those who confess their crimes and severity to those who refuse to do so." We must encourage and support the broad masses in waging struggles against the criminals and promptly commend advanced elements and activists who have bravely defended a righteous cause and dare to struggle in order to uphold justice. The policy of "comprehensive control" for social order must be conscientiously implemented, and wide publicity should be given to the legal system. We should step up the education of young people, arrange to give them jobs, strengthen the basic-level peace preservation organizations and mediation organizations in urban and rural areas, and establish a system of responsibility for social order. We should also implement the party's policy of reform through labor and education and make every effort to transform those to be reformed and educated into useful elements for the four modernizations. Traffic order should be consolidated in order to reduce traffic accidents, and violations of traffic laws must be fined according to regulations. The judicial and administrative organs should be further strengthened, and the work of legal counseling and notarization should be improved along with a training program for judicial cadres and consolidating, strengthening and improving the judicial ranks.

Other departments should strive to do their own work well in supporting these tasks and to make new contributions to the fulfillment of the tasks for 1982.

### III. Strive for a High Level of Socialist Cultural Development

In his report on the work of the government at the Fourth Session of the Fifth National People's Congress, Premier Zhao Ziyang pointed out that cultural development must have as its main content two aspects: one is the scope and level of development of education, science, culture, art, public health and physical culture; the other aspect is the orientation and level of political, ideological and moral development of society. The former was dealt with in the second part of this report. Here it should be stressed that through effective publicity and education, we should enable the members of our society to cherish the socialist and communist world outlook, morality and attitude toward labor; to cultivate noble thoughts and feelings, a fine lifestyle and esthetic standard, a conscious law-abiding spirit and a high sense of organization and discipline; and to develop the lofty spirit of patriotism and internationalism. The development of this ideological side of cultural life is an important social, political and ideological condition to safeguard the future of our socialist economy and socialist society, and represents the common aspiration and strong desire of all politically conscious upright citizens.

While attending to economic construction, our people's governments at all levels should, in such a spirit, highly regard cultural development with particular stress on the need for a healthy social moral code. In the coming year, we should achieve satisfactory results in the following respects.

First, we should vigorously develop patriotism. The cadres and people should be educated to love the history, culture, territory, land and even every tree and blade of grass of the motherland, to cherish the motherland's socialist system, and to form a lofty communist ideal. They should have confidence in their ability to make China strong in addition to a national dignity. We must also cultivate the idea of the primacy of the interests of the motherland and the spirit of dedication to modernization; overcome a lack of confidence in the success of the four modernizations and a national inferiority complex; and oppose the idea of worshipping and being obsequious to foreigners.

Second, there should be strong unity and uniformity among the people ideologically, politically, and morally. They should support and cherish the great Chinese Communist Party and firmly believe in Marxism-Leninism-Mao Zedong Thought. There should be mutual respect, mutual concern, mutual assistance and unity between cadres and people, between army men and people, between workers and peasants, between the aged and the young, and between teachers and students. The people's governments should serve the people and be responsible to them by doing their own jobs well. Should there be any "ill feeling" caused by historical conditions, they should let bygones be bygones with mutual understanding and take the initiative to heal the breach. There should be warm cordiality between those who serve and those who are served, while rudeness and indifference should be opposed. We should foster good manners and a civilized atmosphere; encourage the spirit of respecting old people and loving children, respecting teachers and cherishing students; cultivate the morality of taking pleasure in helping others or sacrificing self-interest for the sake of others; and promote modesty, friendliness, courtesy and complaisance. All rough, foul and offensive language and rude behavior should be eliminated.



Third, stress should be laid on sanitation and a beautiful environment. We should uphold the system of cadres carrying out cleanup every Saturday, while people of both sexes and all ages should be mobilized and assigned their share of cleaning up courtyards, streets and public places. The "five-four" system for food sanitation should be upheld, and trash and manure in animal pens should be promptly disposed of so as to eliminate the "four pests." People must never answer the call of nature anywhere, never spit anywhere and never dump trash anywhere. All unused areas in the cities and the countryside should be used for planting trees and flowers or growing grass. Noise pollution should also be reduced. After all, a clean and healthy atmosphere and a pleasant and quiet environment should be created for work and study.

Fourth, in the sphere of economic life, we should foster the practice of hard work, plain living, integrity of public service, protection of public property, and preservation of state and collective interests; we should resist the sugar-coated bullets of the bourgeoisie and oppose such obnoxious and illegal practices as "underhand connections," backdoor dealings, demanding commissions, giving lavish dinner parties and presents, offering and accepting bribes, indulging in extravagance and waste, and working for self-interest at the expense of public interest.

Fifth, the cadres and people should be educated to cultivate the good habit of observing law and discipline and to willingly preserve a normal production order, work order and social order, so that everything will be in good order and every action taken will be based on regulations. They must not jeopardize the interests of other people or the collective only for their own convenience. Such uncivilized acts as jumping the queue in buying things and in boarding buses, or creating a scene in movie theaters or other public places for no reason should be opposed.

Sixth, we should try to reform the customs and transform the society. New forms of wedding ceremony and funerals and healthy cultural entertainment in various forms should be promoted, while mercenary marriage, lavish eating and drinking, and feudal superstition should be opposed. Gambling parties should be forbidden, while all decadent, degenerate, obscene and vulgar practices should be proscribed.

To meet all these requirements, we must mobilize all the forces in the society to launch a campaign for the development of socialist culture by creating a prevailing atmosphere with a great show of strength. All departments in charge of education, public health, news media, publication, radio broadcasting, television, literature and art should work effectively for the development of socialist culture. They should uphold virtue and suppress vice; energetically glorify the new people, new deeds and new morality of socialist culture; and repudiate and overcome the remnant feudal ideas, various capitalist ideas, anarchism and extreme individualism. All government offices, army units, plants and mines, schools and stores should systematically carry out such activities as "five stresses and four points of beauty," covering the land with trees and creating a beautiful environment, with the leading organs taking the lead. It is particularly necessary for the leading cadres to set good personal examples in upholding communist ideas, faith, morality, discipline and revolutionary stand and principles and to become the vanguard in developing socialist culture. The urban and rural populace should be mobilized to pledge their willingness to abide by

the law, to uphold socialist morality and to combat all uncivilized acts. We believe that if we conscientiously and persistently uphold these principles, we can certainly achieve new success in developing socialist culture.

#### IV. Consolidate the Organizations, Reform the Structure, Overcome Bureaucracy and Improve the Workstyle of Leadership

To promote economic construction and cultural development, we must continue to consolidate and strengthen the organization and work in the government organs at various levels, change the laxity and flabbiness, overcome bureaucracy, improve the workstyle of the leadership, and raise work efficiency. The report on the work of the government at the Third Session of the Fifth People's Congress held last year already mentioned this problem and proposed certain remedial measures. After 1 year's effort, we have made some improvement in perfecting the system of democratic centralism, strengthening investigation and study, formulating local rules and regulations, setting up a system of job responsibility for cadres, and improving the handling of correspondence with the people and attending to their visits. However, there are still many problems left, some of them fairly serious, in these respects. There are many overlapping and overstaffed administrations with their multitiered departments crammed full of superfluous personnel and deputy and nominal chiefs who are dilatory in action and low in efficiency. Some leading cadres have no energy for work; some of them have not shown up for duty for a long time, while others, though showing up for duty, do hardly any work. Whenever a matter is brought to their attention, they either shift the responsibility to others or take a perfunctory action, instead of solving the real problem. Some of them are seriously estranged from the masses because of their unhealthy tendencies. Some leading cadres are even resisting the general and specific policies of the Party Central Committee and the decisions of the higher authorities, while outwardly feigning compliance. Yet some of our leading comrades fail to uphold the principles or to enforce discipline in dealing with these tendencies. This laxity and bureaucracy on the part of the leadership and these violations of organizational discipline have become serious obstacles to economic readjustment and the four modernizations, and strong measure must be adopted to solve these problems.

First, restructuring must be vigorously carried out. In response to the call issued by Premier Zhao Ziyang in his report on the work of the government at the Fourth Session of the Fifth National People's Congress, we should conduct investigation and study and then resolutely abolish or merge the redundant organs, drastically reduce the intermediate links which overlap with both the upper and lower levels, and close the temporary organs that are no longer required. We should keep fewer and better personnel if at all possible. All these measures should begin at the provincial level. Based on the principle of "better soldiers and simpler administration," we should strengthen the leadership of the counties and municipalities and the functions of departments and bureaus. At the same time, in accordance with the regulations of the Party Central Committee and the State Council, we should work out satisfactory arrangements for the old cadres. Cadres should go through rotational training in order to raise their political and cultural level and increase their vocational ability.

Second, we should streamline the leading bodies at various levels. Those leading cadres who are seriously bureaucratic in style, fond of causing disunity, do not work well or are incompetent in their duties should go through the necessary reeducation. In dealing with those cadres who are guilty of dereliction of duty or serious violation of law and discipline, disciplinary action must be taken and there cannot be any toleration, condonation or shielding. We should promote those young and middle-aged cadres of ability and integrity to leading posts, commend and reward the good cadres who are loyal to their duties, conscientious in work and have made outstanding achievements. The leading bodies should be smaller and more efficient. The number of deputy chiefs and concurrently held posts must be reduced to a minimum. There must be no sinecures.

Third, a system of job responsibility for the cadres should be set up. At present, the system of job responsibility for cadres has been set up at the provincial level and in some counties. Their experiences must be carefully summed up and then popularized among the government organs at various levels. At the same time, the system of periodical evaluation of cadres should be used as the basis for determining their salary scales or their positions. This is a "basic construction" in the work of the government. If it is successfully carried out, the problems of irresponsibility caused by ill-defined job responsibilities and resulting in endless haggling and shifting of responsibility will be solved and work efficiency will be raised.

Fourth, the leading organs and leading cadres of governments at various levels should consider investigation, study, inspection and supervision as their own important duties. The leading cadres at the provincial, prefectural, municipal and county levels should establish close relations with the organs of a lower level, particularly the basic level, and spend at least one-third of their time conducting investigation and study below. Instead of "watching flowers from a galloping horse," or, more important still, "rushing here, there and everywhere like imperial envoys," they should visit the key units or the units with many problems at the basic level, and, after investigation and study, help these units to solve some knotty problems and to make certain improvements.

Fifth, government organs at various levels should attach great importance to the strengthening of ideological and political work and to remedying the state of laxity and flabbiness in the leadership. Government personnel at all levels should conscientiously implement the lines, principles and policies of the Third Plenary Session and the Resolution of the Sixth Plenary Session of the 11th Party Central Committee. They should restore and develop the Yanan spirit and the revolutionary spirit of hard struggle during the revolutionary war years. They should also learn from and develop the heroism of the Chinese Women's Volleyball Team who bravely scaled the world's pinnacle, make all-out efforts to triumph over difficulties, and have strong confidence in building a socialist modernized country. Leading cadres at various levels should have the courage to conduct criticism and self-criticism. They should talk more about truth instead of "face," and willingly remove the political dust and political microorganism from their own bodies.

In response to the call issued by Premier Zhao Ziyang in his report on the work of the government, we will conduct education among the cadres at various levels in the united front policy so that they will fully respect and pay serious attention



to the suggestions advanced by personages from all circles, enable the latter to play an ample role in their respective posts, and thus further consolidate and expand the patriotic united front.

Fellow deputies, we must closely unite. Under the principles and policies of the Party Central Committee and the State Council, and the leadership of the provincial party committee, let us display our vigor, seek truth from facts, work hard in unity, and advance courageously in order to accomplish the various tasks set for 1982!

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CSO: 4006/274

## FINANCE AND BANKING

### 'JINGJI YANJIU' REOPENS ISSUE OF BALANCED BUDGET

HK240733 Beijing JINGJI YANJIU in Chinese No 1, 20 Jan 82 pp 58-61

[Article by Deng Ziji [6772 1311 1015], Xu Riqing [1776 2480 3237]: "More on the Contradiction and Balance of Revenue and Expenditure"]

[Text] In "the contradiction and balance of revenue and expenditure" in March 1980, we stated that the contradiction of revenue and expenditure was the main contradiction determining value in finance as well as looked at the revolution of the contradiction and at balanced revenue and expenditure in a socialist economy (the law of balanced revenue and expenditure). We also expounded on the fact that deficits are detrimental, and expressed our opposition in planning a deficit budget. (Please see issue No 3, 1980 "Zhong Guojingji Wenti" "Questions on Chinese Economy")

Some comrades agreed with these ideas, while others maintained that a balance of revenue and expenditure was only a principle, not a law. Some maintained that the balance of revenue and expenditure was a law, although they disagreed that the contradiction of revenue and expenditure was the main contradiction in finance. Some disagreed that a deficit was detrimental.

Not long ago, the party Central Committee and the state council practically pointed out that a deficit problem existed in 1979 and 1980 even though the economic situation was improving. To achieve a balance of revenue and expenditure and to eliminate deficit, a policy of "holding firmly to readjustment and stabilizing the economy" was promptly adopted. This facilitated our study of the contradiction and balance of revenue and expenditure and helped us understand better the importance of the law of balance of revenue and expenditure. In this article, we will express more of our opinions in view of the various opinions given by those comrades concerned.

Is the Balance of Revenue and Expenditure a Law or a Principle?

Some comrades disagreed that the balance of revenue and expenditure was a socialist law of finance, though they admitted that it was a socialist principle of finance. The reasons were that the balance of revenue and expenditure was a subjective demand of the people and a subjective aim in the drafting of the country's basic budget. The contradiction of revenue and expenditure is absolute. In fact, a balance of revenue and expenditure may not be achieved objectively.

Marxism maintains that the dialectics of balance and imbalance is an ordinary law governing the development of this activity. The activity of finance emerges from the contradiction of revenue and expenditure, which is a result of the movement and evolution between balance and imbalance. The evolution of the contradiction and balance of revenue and expenditure is the movement from imbalance to balance, and from a new imbalance to a new balance. The contradiction (imbalance) of revenue and expenditure is in fact an absolute. It shows that the basic form of the contradiction of revenue and expenditure is imbalance. Its movement is from imbalance to balance and then to imbalance again. But the objective demand of collective ownership and a planned economy in a socialist state is to maintain a balance of revenue and expenditure. Its movement is from balance to imbalance and to balance again. The maintenance of a balance of revenue and expenditure is relative and conditional. However, this is not a subjective demand or aim, but an objective demand for the law of a basic socialist economy and the law of a planned, proportional development of the national economy. The financial allocation in a socialist state should be carried out in a planned and proportional way. This is consistent with the basic idea that the national economy in a socialist state should be carried out in a planned and proportional way. Both are objectively necessary. Therefore, we think that the law of the balance of revenue and expenditure in a socialist economy means the law of the evolution of the contradiction and balance of revenue and expenditure. It includes both the contradiction and the balance of revenue and expenditure. Both aspects are objectively necessary, though the former is absolute and the latter relative. The public ownership and planned economy in a socialist state have made the balance of revenue and expenditure possible. To realize this, we must conscientiously recognize and make use of the law of evolution of the contradiction and balance of revenue and expenditure, follow the principle of keeping within the limits of revenue, give consideration to both demand and possibility, carry out a planned readjustment, and achieve a balance of revenue and expenditure. From this, we can see that the law of the balance of revenue and expenditure exists objectively in a socialist economy. To deny a balance of revenue and expenditure in a socialist economy is merely to deny the law of an overall balance of the national economy in a socialist state.

We must also point out that the practice of budget work in the past 32 years has repeatedly proved that a balance of revenue and expenditure reflects a stable economy. An economy becomes stable only after the budget has been stabilized. Whether or not the economy is stable is extremely important to a big socialist state like ours with a huge population, poor foundation and low productivity. Comrade Chen Yun was right in saying, "the scale of construction in a country should be consistent with its capital and resources. Whether or not they are consistent affects the stability of the economy"; and "a country will be unstable and its economy chaotic if the scale of construction exceeds its capital and resources. Moreover, a stable economy will be achieved if the two are consistent." This idea reflects the demand for the law of balance of revenue and expenditure in a socialist economy. The national economy will develop steadily and rapidly if we follow the law of balance of revenue and expenditure, and if we adapt construction to our capital and resources. The first 5-year plan and the 3-year readjustment period between 1962 and 1965 are two good examples. The national economy will suffer a setback if we go against the law of balance of revenue and expenditure, and if our scale of construction goes beyond our financial means, an imbalance of revenue and expenditure or deficit will thus occur. The large deficits which were incurred in 1979



and 1980 created a potential danger to the improving economic situation. It showed that the law of balance of revenue and expenditure really exists and that it should not be violated.

Is it correct for some comrades to say that the law of balance of revenue and expenditure is a financial principle in socialist economy? We think that the answer is both yes and no. We know that law and principle are two distinctive yet related concepts. A law is an absolute factor governing a matter. Since a law exists objectively, it cannot be changed by the will of the people. A principle is a guiding rule for handling affairs based upon the need for a law. In general, a principle should be based on a law, and should be the demand of and the reflection of the law. However, people's knowledge often falls short of reality, and as a result, the principle laid down by the people cannot fully reflect the demand for the law. From this, we can see that a principle is not equal to a law. Take the law of revenue and expenditure for instance. It generalizes the nature of the evolution of the contradiction and balance of revenue and expenditure. But the principle of the balance of revenue and expenditure is the application and implementation of the law of balance of revenue and expenditure. In this way, the balance of revenue and expenditure can also be regarded as a principle. However, it is incorrect to say that the balance of revenue and expenditure is a subjective aim, or to deny it as an objective law.

Is the Contradiction of Revenue and Expenditure a Major or an Ordinary Contradiction?

The opinion of some comrades is basically in line with ours. They consider the balance of revenue and expenditure to be the financial law of a socialist economy. They maintain that a deficit is detrimental. They insist on a balanced revenue and expenditure and oppose planning for a deficit budget. However, they think that the main contradiction of revenue and expenditure in a socialist economy does not lie in the contradiction of revenue and expenditure but in the contradiction of accumulation and consumption. They also believe that a balance of revenue and expenditure may not help the national economy develop steadily and rapidly if the contradiction of accumulation and consumption is not handled properly.

We think that the contradiction of accumulation and expenditure or the relationship between the two is actually the relationship between national construction and the people's livelihood. It has a wider scope than revenue and expenditure. Despite the fact that the contradiction and balance of revenue and expenditure hinges on how the contradiction of accumulation and consumption is dealt with, and that the contradiction of accumulation and consumption is restricted by the contradiction of revenue and expenditure, the two are closely related. However, the main contradiction of national income is different from that of revenue and expenditure.

Moreover, revenue only accounts for about 30 percent of national income. Expenditure in construction investment makes up 25 to 30 percent, or at most 40 percent, of revenue. A major portion of the accumulative fund comes from expenditure (including the allocation of capital in the form of loans; for instance allocations for basic construction are converted into loans,) and a portion comes from the accumulative profits in enterprises or the enterprising profits gained from the policy of assuming sole responsibility for their profits and losses and from the planning fund in the collective economy. A portion of consumption fund comes from the ex-

penditure in social consumption fund (such as the running of the state, cultural activities, education and public health, and social security fund) and individual consumption fund including wages for workers in nonproduction departments. But the major portion comes from the wages paid to the workers by the enterprises, reserves for bonus fund and welfare fund which are formed out of enterprising profits, and from the public welfare fund and labor reward for brigade members in the collective economy. These consumption funds were derived from initial allocations and were not directly included into the national budget. From this, we can see that only a major portion of the accumulative fund and a small portion of consumption fund, both of which are allocated in accordance with their final usage, are included in the national budget. It is unconvincing to say that the contradiction of accumulation and consumption is the main contradiction of revenue and expenditure.

Those who believe that "a balance of revenue and expenditure may not be beneficial to the steady and rapid development of the national economy if the balance of accumulation and consumption is not handled properly" are mistaken. We believe that balance means being proportional. A balance can be achieved if it is proportional. By balance of revenue and expenditure, we are referring to the consistency between the level of national construction and state budget through a planned and proportional arrangement of revenue and expenditure. A balance of revenue and expenditure can be achieved if the contradiction of accumulation and consumption in the national income is properly handled and the proportional relationship between accumulation and consumption is well coordinated. Otherwise, it will be difficult to achieve a balance. It is obvious that the balance of revenue and expenditure hinges upon the proportional relationship between accumulation and consumption, and the main contradiction of the national income. However, as stated above, it is not the main contradiction in finance. Take finance as an example. The contradiction of revenue and expenditure dictates the proportional relationship between accumulation and consumption as reflected within the financial spectrum. That means the proportion of expenditure in the investment for basic construction within the total expenditure in the investment for basic construction within the total expenditure of the national budget is based upon the scale of national income or state capital, so as to adapt the scale of construction to state capital. That is to say, we must carry out the principles of acting according to our capability and of keeping expenditure within the limits of income. We must insist on a balance of revenue and expenditure. It is because the balance of revenue and expenditure determines whether or not the economy is stable, and whether or not the accumulation and consumption are in harmony. In the final analysis, the scale of national construction hinges on how much capital we can accumulate and how it is allocated. In general, accumulation will not be excessive if the revenue does not exceed 30 percent or about of the national income, and if the expenditure in the investment of basic construction does not exceed 40 percent of expenditure in the national budget. The national economy can develop steadily and rapidly if the contradiction of accumulation and consumption is handled properly.

Some comrades believe that revenue and expenditure are financial phenomena, and that the main contradiction in finance should be the most essential matter, that is, an economic relationship (a relationship in distribution). They therefore think that the relationship in distribution among the central government, localities, enterprises (including those owned by the whole people and those run by collectives), and individuals is the main financial problem. How should we look at this problem?

We think that socialist finance has its quantitative and qualitative aspects. It is a dialectical unity of quantity and quality. By saying that the contradiction of revenue and expenditure is the main financial contradiction, we mean that it is the main contradiction in the magnitude of its value. While the relationship in distribution, which is reflected by this contradiction, simultaneously reflects the main contradiction of the quantitative aspects of finance—the relationship in distribution among the central government, localities, enterprises and individuals. In the process of the contradiction of revenue and expenditure, we must correctly handle various distributive relationships of finance such as the relationship between the central government and the localities, and that between the state and the enterprises as well as the contradiction between the centralization and decentralization of power, and the centralization of or decentralization of finance which they reflect. These relationships are actually reflections of the main contradiction of revenue and expenditure.

Some comrades believe that the contradiction of service and supervision is the main financial contradiction. Admittedly, service and supervision are a financial contradiction in a socialist economy. However, they should not be regarded as the main contradiction. Service and supervision are two aspects of the dialectical unity in finance. In its work process, the department of finance liaise with various departments and enterprising units. They breathe the same breath and share the same fate, think as enterprises think, and share the worries of the enterprises. They should fervently and actively provide good service. They should also carry out financial supervision. Service should be supervised. The aim of supervision is to ensure the quality of service. In practical work, there are three different situations of service and supervision. (1) Having both service and supervision. Take the example of fund allocation. We should first examine whether or not a plan is feasible and economically reasonable before we decide to allocate funds to the plan. Such allocation is service; the examination of the plan is supervision. (2) Mainly supervision. To curb extravagance and to expose corruption are supervision. The aim of doing supervision well is to serve the masses. (3) Only service, but no supervision. In the past, the Ministry of Finance, through its wide scope of contact, "got in touch with," "established a contact with," and "acted as a go-between for" the enterprises. It helped them solve the shortage problems of raw material and equipment urgently needed in production. In sum, nevertheless, it is not easy to handle correctly the relationship between service and supervision. Both service and supervision are only one aspect in financial activities. They are not the main contradiction of finance.

#### Is A Deficit Detrimental or Not?

We think that a deficit is detrimental because a deficit budget will lead to devaluation, a tight supply of material and resources, rising prices and instability in peoples livelihood. As a result, it will dampen the enthusiasm of the masses for production. In the past 30 years, our country experienced a number of deficits which brought bad results. We should learn from the lessons of history and bear them in mind. However, some comrades think that deficit is a "good thing," particularly because deficit is a result of an improving economy. They therefore speak plausibly and at length that it does no harm to plan for a deficit budget. On the contrary, it is beneficial. The practice in the last 3 years has proved that this argument is incorrect.



We are a socialist state practicing a public ownership of the means of production. The aim of production is to enhance the standard of material and cultural living of the people. We have a big population, poor foundation and low productivity. In sum, we do not have surplus production, nor does our supply exceed demand. Our production and supply fall short of demand. Therefore, we cannot engage in a deficit budget. If we ignore our national conditions and engage in construction or "satisfy" our consumption by means of a deficit budget, it would mean that expenditures in investment in basic construction and other expenditures in investment in basic construction and other expenditures which our country had planned in the past year exceeded the revenue of that year. In fact, the achieved national income for the year exceeded the planned national income. As a result, it created a social purchasing power without a guarantee of resources. This inevitably intensified the contradiction of the social purchasing power and the supply of commodities. Some comrades believe that the consecutive bulk of deficits in 1979 and 1980 have been a boom to the economic situation. Therefore, deficit, after all has an "active function," or at least has been an "active factor." We must point out that the improvement of the economic situation during the past 2 years was a success in mobilizing the initiative of the masses, resulted from various policies and strategy laid down by the party at the 3d plenary session of the 11th party Central Committee. A deficit definitely did not account for the success. There is no connection between an improving economy and deficits. On the contrary, a deficit creates a potential danger in the economy.

CSU: 4006/324

## INDUSTRY

### INDUSTRIAL COMMUNICATIONS WORK MEETING HELD

HK130152 Guiyang Guizhou Provincial Service in Mandarin 2315 GMT 11 Feb 82

[Summary] The Guizhou Provincial People's Government held a telephone meeting to discuss industrial and communications production and production safety on 11 February. The meeting summed up the province's industrial and communications production since the beginning of this year, pointed out the major existing problems and made major arrangements for future production.

"The meeting pointed out that since the beginning of this year, owing to the great efforts made by the broad ranks of staff and workers on the industrial and communications front, the situation in production has been continuously improving. The total industrial output value in January amounted to 319 million yuan, which was 12 percent more than that in the corresponding period last year. The average industrial output value per day in January increased by 32.4 percent. Except for the prefectures in southeastern Guizhou, all the prefectures and municipalities have increased production compared with the corresponding period last year. The output of 46 of the 72 major products, such as coal, selected coal, electric power, knitting wool and soaps, increased over the corresponding period last year. The output of some of these products in January was greater than the average monthly output in the 3 months from September to November 1981. The railways overfulfilled their planned targets."

The meeting discussed and pointed out the major existing problems. The main problem is that the development of production is uneven in different districts and in different lines of production. Production dropped in a small number of districts and departments. In some enterprises, people failed to pay enough attention to production safety. In others, attendance fell after the holidays, production work purchases of materials and marketing were not carried out in a coordinated manner, and the economic effect was not good enough.

According to the requirements of the provincial CCP Committee and people's government, more than 24 percent of the whole year's industrial production targets should be attained in the first quarter of this year. This is quite an arduous task. In order to develop well the industrial and communications production in the first quarter, the meeting called on people to do the following things: 1) strengthen leadership; 2) pay close attention to raising the economic effect; 3) conduct an overall reorganization of the enterprises; 4) continue the efforts to balance pro-

duction, purchases of materials and sales; and 5) strengthen political and ideological work among the staff and workers.

"Finally, the meeting called on the various departments vigorously pay attention to safety and take positive measures to ensure production safety. They should establish in their minds the idea that production safety is the first priority, and strive to do a good job of ensuring production safety."

Li Tinggui, Song Xiaopeng, Ran Yannong, Zhang Yuhuan and other responsible comrades of the provincial CCP Committee and people's government attended the meeting and made speeches.

CSO: 4006/325



## INDUSTRY

### QINGHAI HOLDS INDUSTRIAL, COMMUNICATIONS RALLY

SK120423 Xining Qinghai Provincial Service in Mandarin 2330 GMT 11 Feb 82

[Excerpt] According to our reporter, on the afternoon of 10 February, the provincial people's government held a mobilization rally at the provincial people's auditorium on Xining municipal industrial and communications production. The rally urged all workers and staff members of the provincial industrial and communications front to enhance their spirit, seek truth from facts, fight arduously, work hard and strive to increase production at a stable rate, increasing economic results and scoring new achievements in building spiritual and material civilization. Attending the rally were responsible persons of the provincial and the Xining Municipal Industrial and Communications Departments; responsible persons of various enterprises, companies and plants and workers' representatives, totalling 1,300 people. Zhang Guosheng, governor of the province, attended and addressed the rally. Shen Ling, deputy provincial governor, made a report. Also speaking at the rally were responsible persons of the provincial textile industrial company, the Datong Coal Mining Administration Bureau, the Xining Iron and Steel Plant, the Provincial Petrochemical Bureau and the Xining Municipal Economic Commission.

In his report, Deputy Governor Shen Ling said: The general requirements for this year's industrial and communications production are enhancing spirit, seeking truth from facts, continually implementing the principle of readjustment, restructuring, reorganization and upgrading stressing enterprise readjustment, ensuring fulfillment of all production plans, changing deficits into profits and making contributions to the state. The specific 1982 tasks for industrial and communications production are continually and vigorously developing the production of everyday consumer goods; readjusting the structure and opening the decline in production to an increase; grasping energy production and economizing; rationally organizing communications and transport production and making efforts to increase economic results.

CSO: 4006/325

## INDUSTRY

### TECHNICAL-ECONOMIC INDEXES FOR 1980 FOR SMALL CEMENT ENTERPRISES

Beijing SHUINI [CEMENT] in Chinese No 12, 1981 pp 36-38

[Tables compiled by the Cement Bureau of the Ministry of Building Materials:  
"Technical-Economic Indices of the Nation's Small Cement Enterprises for 1980"]

[Text] To enable the broad readership to understand the productive situation of the nation's small cement enterprises, the "Technical-Economic Indices of the Nation's Small Cement Enterprises for 1980" compiled by the Cement Bureau of the Ministry of Building Materials has been published in condensed form as a reference.  
(Editorial Department of Cement)

#### Several Explanatory Notes

1. Data in the tables reflect the various technical-economic indices of 2,111 enterprises of 28 provinces, cities and autonomous regions throughout the nation from January to October 1980.
2. The size of enterprises is based on the comprehensive productive capabilities of the presently available kilns and main grinders of the enterprises and based on appropriate reference to the output of that year.
3. The physical inspection method for positive valued enterprises in transition from hard burning to soft burning in 1980 is based on uniformly converting the grades to correspond to grades of hard burnt cement to facilitate uniform tabulation of average grades of cement produced.
4. Grades of grog include only the average grades of the 19.18 million tons of grog produced throughout the nation, which constitutes 69 percent of the grog produced by all plants counted. Data on the grades of grog produced by most of the enterprises with annual productive capacity below 44,000 tons are not available.
5. According to reports by the Ministry of Agriculture, there are over 3,000 commune and brigade enterprises. The data in the tables include only 110 such enterprises which are large scale and which have relatively normal production. They do not represent the production level of all commune and brigade enterprises.

Table 1. Quality of Cement of the Nation's Small Cement Enterprises in 1980

1 出厂水泥质量 (万吨)										2 出厂水泥中合格品(%)										3 不合格品比例 (%)										4 品 5 出厂水泥合格品中各种标号吨数(%)																			
9 总计					10 强度					11 强度					12 总计					13 强度					14 强度					15 250号					16 300号					17 400号					18 500号				
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Key to Table 1.

- |   |  |
|---|--|
| 1. Cement output (10,000 tons)  | 24. Total count of vertical kiln enterprises   |
| 2. Percentage of standard cement (percent)  | 25. Total number of enterprises of the cement industry among vertical kiln enterprises             |
| 3. Percentage of cement not up to standard (percent)  | 26. Total number of enterprises other than the cement industry among the vertical kiln enterprises |
| 4. Percentage of waste cement (percent)   | 27. Total number of communes and brigades in the vertical kiln enterprises                         |
| 5. The amount of each grade of cement as a percentage of the amount of standard cement produced (percent) | 28. Total number of rotary kiln enterprises  |
| 6. Average grades of frog   | 29. Total number of enterprises of the cement industry among the rotary kiln enterprises           |
| 7. Average grades of cement produced  | 30. Total number of enterprises other than the cement industry among the rotary kiln enterprises   |
| 8. Number of cement plants counted  | 31. Total number of communes and brigades among the rotary kiln enterprises                        |
| 9. Grand total  | 32. Size of enterprise among vertical kiln enterprises   |
| 10. Strength tested   | 33. Total number of enterprises of 88,000 tons and over  |
| 11. Not strength tested   | 34. Total number of enterprises of 44,000 to 88,000 tons   |
| 12. Total   | 35. Total number of enterprises of 10,000 to 44,000 tons   |
| 13. Strength tested   | 36. Total number of enterprises below 10,000 tons  |
| 14. Not strength tested   |  |
| 15. 250 grade   |  |
| 16. 300 grade   |  |
| 17. 400 grade   |  |
| 18. 500 grade   |  |
| 19. National total  |  |
| 20. Among the total   |  |
| 21. Enterprises of the cement industry  |  |
| 22. Enterprises of other industries   |  |
| 23. Commune and brigade enterprises   |  |

Table 2. Technical-Economic Indices of the Nation's Small Cement Enterprises for 1980

水泥产量	1 (万吨)	2 (万吨)	3 (万吨)	4 (万吨)	5 (万吨)	6 (万吨)	7 (万吨)	8 (万吨)	9 (万吨)	10 (万吨)	11 (万吨)	12 (万吨)	13 (万吨)	14 (万吨)	15 (万吨)	16 (万吨)	17 (万吨)	18 (万吨)	19 (万吨)	20 (万吨)	21 (万吨)	22 (万吨)	23 (万吨)	24 (万吨)	25 (万吨)	26 (万吨)	27 (万吨)	28 (万吨)	29 (万吨)	30 (万吨)	31 (万吨)	32 (万吨)	33 (万吨)	34 (万吨)	35 (万吨)	36 (万吨)	37 (万吨)	38 (万吨)	39 (万吨)	40 (万吨)	41 (万吨)	42 (万吨)	43 (万吨)	44 (万吨)	45 (万吨)	46 (万吨)	47 (万吨)	48 (万吨)	49 (万吨)	50 (万吨)	51 (万吨)	52 (万吨)	53 (万吨)	54 (万吨)	55 (万吨)	56 (万吨)	57 (万吨)	58 (万吨)	59 (万吨)	60 (万吨)	61 (万吨)	62 (万吨)	63 (万吨)	64 (万吨)	65 (万吨)	66 (万吨)	67 (万吨)	68 (万吨)	69 (万吨)	70 (万吨)	71 (万吨)	72 (万吨)	73 (万吨)	74 (万吨)	75 (万吨)	76 (万吨)	77 (万吨)	78 (万吨)	79 (万吨)	80 (万吨)	81 (万吨)	82 (万吨)	83 (万吨)	84 (万吨)	85 (万吨)	86 (万吨)	87 (万吨)	88 (万吨)	89 (万吨)	90 (万吨)	91 (万吨)	92 (万吨)	93 (万吨)	94 (万吨)	95 (万吨)	96 (万吨)	97 (万吨)	98 (万吨)	99 (万吨)	100 (万吨)	101 (万吨)	102 (万吨)	103 (万吨)	104 (万吨)	105 (万吨)	106 (万吨)	107 (万吨)	108 (万吨)	109 (万吨)	110 (万吨)	111 (万吨)	112 (万吨)	113 (万吨)	114 (万吨)	115 (万吨)	116 (万吨)	117 (万吨)	118 (万吨)	119 (万吨)	120 (万吨)	121 (万吨)	122 (万吨)	123 (万吨)	124 (万吨)	125 (万吨)	126 (万吨)	127 (万吨)	128 (万吨)	129 (万吨)	130 (万吨)	131 (万吨)	132 (万吨)	133 (万吨)	134 (万吨)	135 (万吨)	136 (万吨)	137 (万吨)	138 (万吨)	139 (万吨)	140 (万吨)	141 (万吨)	142 (万吨)	143 (万吨)	144 (万吨)	145 (万吨)	146 (万吨)	147 (万吨)	148 (万吨)	149 (万吨)	150 (万吨)	151 (万吨)	152 (万吨)	153 (万吨)	154 (万吨)	155 (万吨)	156 (万吨)	157 (万吨)	158 (万吨)	159 (万吨)	160 (万吨)	161 (万吨)	162 (万吨)	163 (万吨)	164 (万吨)	165 (万吨)	166 (万吨)	167 (万吨)	168 (万吨)	169 (万吨)	170 (万吨)	171 (万吨)	172 (万吨)	173 (万吨)	174 (万吨)	175 (万吨)	176 (万吨)	177 (万吨)	178 (万吨)	179 (万吨)	180 (万吨)	181 (万吨)	182 (万吨)	183 (万吨)	184 (万吨)	185 (万吨)	186 (万吨)	187 (万吨)	188 (万吨)	189 (万吨)	190 (万吨)	191 (万吨)	192 (万吨)	193 (万吨)	194 (万吨)	195 (万吨)	196 (万吨)	197 (万吨)	198 (万吨)	199 (万吨)	200 (万吨)	201 (万吨)	202 (万吨)	203 (万吨)	204 (万吨)	205 (万吨)	206 (万吨)	207 (万吨)	208 (万吨)	209 (万吨)	210 (万吨)	211 (万吨)	212 (万吨)	213 (万吨)	214 (万吨)	215 (万吨)	216 (万吨)	217 (万吨)	218 (万吨)	219 (万吨)	220 (万吨)	221 (万吨)	222 (万吨)	223 (万吨)	224 (万吨)	225 (万吨)	226 (万吨)	227 (万吨)	228 (万吨)	229 (万吨)	230 (万吨)	231 (万吨)	232 (万吨)	233 (万吨)	234 (万吨)	235 (万吨)	236 (万吨)	237 (万吨)	238 (万吨)	239 (万吨)	240 (万吨)	241 (万吨)	242 (万吨)	243 (万吨)	244 (万吨)	245 (万吨)	246 (万吨)	247 (万吨)	248 (万吨)	249 (万吨)	250 (万吨)	251 (万吨)	252 (万吨)	253 (万吨)	254 (万吨)	255 (万吨)	256 (万吨)	257 (万吨)	258 (万吨)	259 (万吨)	260 (万吨)	261 (万吨)	262 (万吨)	263 (万吨)	264 (万吨)	265 (万吨)	266 (万吨)	267 (万吨)	268 (万吨)	269 (万吨)	270 (万吨)	271 (万吨)	272 (万吨)	273 (万吨)	274 (万吨)	275 (万吨)	276 (万吨)	277 (万吨)	278 (万吨)	279 (万吨)	280 (万吨)	281 (万吨)	282 (万吨)	283 (万吨)	284 (万吨)	285 (万吨)	286 (万吨)	287 (万吨)	288 (万吨)	289 (万吨)	290 (万吨)	291 (万吨)	292 (万吨)	293 (万吨)	294 (万吨)	295 (万吨)	296 (万吨)	297 (万吨)	298 (万吨)	299 (万吨)	300 (万吨)	301 (万吨)	302 (万吨)	303 (万吨)	304 (万吨)	305 (万吨)	306 (万吨)	307 (万吨)	308 (万吨)	309 (万吨)	310 (万吨)	311 (万吨)	312 (万吨)	313 (万吨)	314 (万吨)	315 (万吨)	316 (万吨)	317 (万吨)	318 (万吨)	319 (万吨)	320 (万吨)	321 (万吨)	322 (万吨)	323 (万吨)	324 (万吨)	325 (万吨)	326 (万吨)	327 (万吨)	328 (万吨)	329 (万吨)	330 (万吨)	331 (万吨)	332 (万吨)	333 (万吨)	334 (万吨)	335 (万吨)	336 (万吨)	337 (万吨)	338 (万吨)	339 (万吨)	340 (万吨)	341 (万吨)	342 (万吨)	343 (万吨)	344 (万吨)	345 (万吨)	346 (万吨)	347 (万吨)	348 (万吨)	349 (万吨)	350 (万吨)	351 (万吨)	352 (万吨)	353 (万吨)	354 (万吨)	355 (万吨)	356 (万吨)	357 (万吨)	358 (万吨)	359 (万吨)	360 (万吨)	361 (万吨)	362 (万吨)	363 (万吨)	364 (万吨)	365 (万吨)	366 (万吨)	367 (万吨)	368 (万吨)	369 (万吨)	370 (万吨)	371 (万吨)	372 (万吨)	373 (万吨)	374 (万吨)	375 (万吨)	376 (万吨)	377 (万吨)	378 (万吨)	379 (万吨)	380 (万吨)	381 (万吨)	382 (万吨)	383 (万吨)	384 (万吨)	385 (万吨)	386 (万吨)	387 (万吨)	388 (万吨)	389 (万吨)	390 (万吨)	391 (万吨)	392 (万吨)	393 (万吨)	394 (万吨)	395 (万吨)	396 (万吨)	397 (万吨)	398 (万吨)	399 (万吨)	400 (万吨)	401 (万吨)	402 (万吨)	403 (万吨)	404 (万吨)	405 (万吨)	406 (万吨)	407 (万吨)	408 (万吨)	409 (万吨)	410 (万吨)	411 (万吨)	412 (万吨)	413 (万吨)	414 (万吨)	415 (万吨)	416 (万吨)	417 (万吨)	418 (万吨)	419 (万吨)	420 (万吨)	421 (万吨)	422 (万吨)	423 (万吨)	424 (万吨)	425 (万吨)	426 (万吨)	427 (万吨)	428 (万吨)	429 (万吨)	430 (万吨)	431 (万吨)	432 (万吨)	433 (万吨)	434 (万吨)	435 (万吨)	436 (万吨)	437 (万吨)	438 (万吨)	439 (万吨)	440 (万吨)	441 (万吨)	442 (万吨)	443 (万吨)	444 (万吨)	445 (万吨)	446 (万吨)	447 (万吨)	448 (万吨)	449 (万吨)	450 (万吨)	451 (万吨)	452 (万吨)	453 (万吨)	454 (万吨)	455 (万吨)	456 (万吨)	457 (万吨)	458 (万吨)	459 (万吨)	460 (万吨)	461 (万吨)	462 (万吨)	463 (万吨)	464 (万吨)	465 (万吨)	466 (万吨)	467 (万吨)	468 (万吨)	469 (万吨)	470 (万吨)	471 (万吨)	472 (万吨)	473 (万吨)	474 (万吨)	475 (万吨)	476 (万吨)	477 (万吨)	478 (万吨)	479 (万吨)	480 (万吨)	481 (万吨)	482 (万吨)	483 (万吨)	484 (万吨)	485 (万吨)	486 (万吨)	487 (万吨)	488 (万吨)	489 (万吨)	490 (万吨)	491 (万吨)	492 (万吨)	493 (万吨)	494 (万吨)	495 (万吨)	496 (万吨)	497 (万吨)	498 (万吨)	499 (万吨)	500 (万吨)	501 (万吨)	502 (万吨)	503 (万吨)	504 (万吨)	505 (万吨)	506 (万吨)	507 (万吨)	508 (万吨)	509 (万吨)	510 (万吨)	511 (万吨)	512 (万吨)	513 (万吨)	514 (万吨)	515 (万吨)	516 (万吨)	517 (万吨)	518 (万吨)	519 (万吨)	520 (万吨)	521 (万吨)	522 (万吨)	523 (万吨)	524 (万吨)	525 (万吨)	526 (万吨)	527 (万吨)	528 (万吨)	529 (万吨)	530 (万吨)	531 (万吨)	532 (万吨)	533 (万吨)	534 (万吨)	535 (万吨)	536 (万吨)	537 (万吨)	538 (万吨)	539 (万吨)	540 (万吨)	541 (万吨)	542 (万吨)	543 (万吨)	544 (万吨)	545 (万吨)	546 (万吨)	547 (万吨)	548 (万吨)	549 (万吨)	550 (万吨)	551 (万吨)	552 (万吨)	553 (万吨)	554 (万吨)	555 (万吨)	556 (万吨)	557 (万吨)	558 (万吨)	559 (万吨)	560 (万吨)	561 (万吨)	562 (万吨)	563 (万吨)	564 (万吨)	565 (万吨)	566 (万吨)	567 (万吨)	568 (万吨)	569 (万吨)	570 (万吨)	571 (万吨)	572 (万吨)	573 (万吨)	574 (万吨)	575 (万吨)	576 (万吨)	577 (万吨)	578 (万吨)	579 (万吨)	580 (万吨)	581 (万吨)	582 (万吨)	583 (万吨)	584 (万吨)	585 (万吨)	586 (万吨)	587 (万吨)	588 (万吨)	589 (万吨)	590 (万吨)	591 (万吨)	592 (万吨)	593 (万吨)	594 (万吨)	595 (万吨)	596 (万吨)	597 (万吨)	598 (万吨)	599 (万吨)	600 (万吨)	601 (万吨)	602 (万吨)	603 (万吨)	604 (万吨)	605 (万吨)	606 (万吨)	607 (万吨)	608 (万吨)	609 (万吨)	610 (万吨)	611 (万吨)	612 (万吨)	613 (万吨)	614 (万吨)	615 (万吨)	616 (万吨)	617 (万吨)	618 (万吨)	619 (万吨)	620 (万吨)	621 (万吨)	622 (万吨)	623 (万吨)	624 (万吨)	625 (万吨)	626 (万吨)	627 (万吨)	628 (万吨)	629 (万吨)	630 (万吨)	631 (万吨)	632 (万吨)	633 (万吨)	634 (万吨)	635 (万吨)	636 (万吨)	637 (万吨)	638 (万吨)	639 (万吨)	640 (万吨)	641 (万吨)	642 (万吨)	643 (万吨)	644 (万吨)	645 (万吨)	646 (万吨)	647 (万吨)	648 (万吨)	649 (万吨)	650 (万吨)	651 (万吨)	652 (万吨)	653 (万吨)	654 (万吨)	655 (万吨)	656 (万吨)	657 (万吨)	658 (万吨)	659 (万吨)	660 (万吨)	661 (万吨)	662 (万吨)	663 (万吨)	664 (万吨)	665 (万吨)	666 (万吨)	667 (万吨)	668 (万吨)	669 (万吨)	670 (万吨)	671 (万吨)	672 (万吨)	673 (万吨)	674 (万吨)	675 (万吨)	676 (万吨)	677 (万吨)	678 (万吨)	679 (万吨)	680 (万吨)	681 (万吨)	682 (万吨)	683 (万吨)	684 (万吨)	685 (万吨)	686 (万吨)	687 (万吨)	688 (万吨)	689 (万吨)	690 (万吨)	691 (万吨)	692 (万吨)	693 (万吨)	694 (万吨)	695 (万吨)	696 (万吨)	697 (万吨)	698 (万吨)	699 (万吨)	700 (万吨)	701 (万吨)	702 (万吨)	703 (万吨)	704 (万吨)	705 (万吨)	706 (万吨)	707 (万吨)	708 (万吨)	709 (万吨)	710 (万吨)	711 (万吨)	712 (万吨)	713 (万吨)	714 (万吨)	715 (万吨)	716 (万吨)	717 (万吨)	718 (万吨)	719 (万吨)	720 (万吨)	721 (万吨)	722 (万吨)	723 (万吨)	724 (万吨)	725 (万吨)	726 (万吨)	727 (万吨)	728 (万吨)	729 (万吨)	730 (万吨)	731 (万吨)	732 (万吨)	733 (万吨)	734 (万吨)	735 (万吨)	736 (万吨)	737 (万吨)	738 (万吨)	739 (万吨)	740 (万吨)	741 (万吨)	742 (万吨)	743 (万吨)	744 (万吨)	745 (万吨)	746 (万吨)	747 (万吨)	748 (万吨)	749 (万吨)	750 (万吨)	751 (万吨)	752 (万吨)	753 (万吨)	754 (万吨)	755 (万吨)	756 (万吨)	757 (万吨)	758 (万吨)	759 (万吨)	760 (万吨)	761 (万吨)	762 (万吨)	763 (万吨)	764 (万吨)	765 (万吨)	766 (万吨)	767 (万吨)	768 (万吨)	769 (万吨)	770 (万吨)	771 (万吨)	772 (万吨)	773 (万吨)	774 (万吨)	775 (万吨)	776 (万吨)	777 (万吨)	778 (万吨)	779 (万吨)	780 (万吨)	781 (万吨)	782 (万吨)	783 (万吨)	784 (万吨)	785 (万吨)	786 (万吨)	787 (万吨)	788 (万吨)	789 (万吨)	790 (万吨)	791 (万吨)	792 (万吨)	793 (万吨)	794 (万吨)	795 (万吨)	796 (万吨)	797 (万吨)	798 (万吨)	799 (万吨)	800 (万吨)	801 (万吨)	802 (万吨)	803 (万吨)	804 (万吨)	805 (万吨)	806 (万吨)	807 (万吨)	808 (万吨)	809 (万吨)	810 (万吨)	811 (万吨)	812 (万吨)	813 (万吨)	814 (万吨)	815 (万吨)	816 (万吨)	817 (万吨)	818 (万吨)	819 (万吨)	820 (万吨)	821 (万吨)	822 (万吨)	823 (万吨)	824 (万吨)	825 (万吨)	826 (万吨)	827 (万吨)	828 (万吨)	829 (万吨)	830 (万吨)	831 (万吨)	832 (万吨)</
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Key to Table 2.

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|---|---|
| 1. Cement production (10,000 tons)  | 23. Average index of enterprises other than the cement industry among vertical kiln enterprises |
| 2. Energy consumption   | 24. Average index of commune and brigade enterprises among vertical kiln enterprises            |
| 3. Full staff real labor production rate (ton/man)                          | 25. Average index of rotary kiln enterprises  |
| 4. Unit cost of cement (yuan/ton)   | 26. Average index of cement enterprises among rotary kiln enterprises                           |
| 5. Average sales price (yuan/ton)   | 27. Average index of enterprises other than the cement industry among rotary kiln enterprises   |
| 6. Profit and loss  | 28. Average index of commune and brigade enterprises among rotary kiln enterprises              |
| 7. Number of plants counted (plant)   | 29. Average indices of vertical kiln enterprises by size  |
| 8. Standard coal consumption of grog (kilogram/ton)                         | 30. Average index of enterprises over 88,000 tons   |
| 9. Comprehensive coal consumption for cement (kilogram/ton)                 | 31. Average index of enterprises of 44,000 to 88,000 tons                                       |
| 10. Comprehensive consumption of electricity for cement (kilowatt-hour/ton) | 32. Average index of enterprises of 10,000 to 44,000 tons                                       |
| 11. Profit (10,000 yuan)  | 33. Average index of enterprises below 10,000 tons  |
| 12. Loss (10,000 yuan)  | 34. Average advanced indices by size  |
| 13. Balance of profit and loss (10,000 yuan)                                | 35. Vertical kiln enterprises over 88,000 tons  |
| 14. Number of enterprises suffering loss (enterprise)                       | 36. Vertical kiln enterprises of 44,000-88,000 tons   |
| 15. Percentage of loss (percent)  | 37. Vertical kiln enterprises of 10,000-44,000 tons   |
| 16. National average indices  | 38. Vertical kiln enterprises below 10,000 tons   |
| 17. Among them  | 39. Rotary kiln enterprises   |
| 18. Average index of cement enterprises                                     |   |
| 19. Average index of enterprises other than the cement industry             |   |
| 20. Average index of commune and brigade enterprises                        |   |
| 21. Average index of vertical kiln enterprises                              |   |
| 22. Average index of cement enterprises among vertical kiln enterprises     |   |



Table 3. Technical Economic Indices of Advanced Levels of Small Cement Enterprises

Index Name Size of plant	Unit cost of cement of 400 grade (yuan/ton)	Comprehensive consumption of electricity for cement (kilowatt-hour/ton)	Standard coal consumption of prod. (kilogram/ton)	Full staff real labor production rate (ton/man)
National advanced level	Liaoning Huazi New Cement Plant 25.40	Shandong Junan County Cement Plant 57.00	Shandong Wendeng Cement Plant 112.60	Beijing Cement Products Plant 107.55
	Hebei New Cement Plant 26.49	Anhui Su County Cement Plant 60.00	Hebei Qianan Cement Plant 117.00	Tianjin Cement Plant 100.00
	Hubei Hongqi Cement Plant 27.37	Hubei Zhushan County Cement Plant 61.84	Hebei Yutian Cement Plant 119.00	Jiangsu Longtan Cement Plant 274.23
	500 grade Shandong Jinan Cement Plant 28.76		Guangxi Teng County Cement Plant 119.00	
Advanced level of vertical kiln enterprises over 88,000 tons	Liaoning Huazi New Cement Plant 25.40	Guangdong Shunde County Cement Plant 63.06	Guangdong Shaoguan Cement Plant 122.54	Beijing Cement Products Plant 107.55
	Hebei New Cement Plant 26.49	Guangdong Nanhai Cement Plant 67.80	Jiangsu Tongshan County Cement Plant 126.00	Tianjin Cement Plant 100.00
	Hubei Hongqi Cement Plant 27.37	Guangxi Zhongshan County Cement Plant 14.80	Yunnan Baikou Cement Plant 126.88	Jiangsu Longtan Cement Plant 274.23
	500 grade Shandong Jinan Cement Plant 28.76			
Advanced level of vertical kiln enterprises of 44,000-88,000 tons	Jiangsu Tongshan Second Cement Plant 33.55	Sichuan Yanjing County Cement Plant 65.00	Shandong Wendeng Cement Plant 112.60	Hunan Wangcheng County Cement Plant 201.15
	Shandong Junan County Cement Plant 34.16	Guangxi Nasa County Cement Plant 65.40	Hebei Qianan County Cement Plant 117.00	Jiangsu Wujin Building Materials Plant 160.98
	Anhui Su County Cement Plant 34.31	Guangdong Gaobei County Cement Plant 68.20	Hebei Yutian County Cement Plant 119.00	Henan Xinxiang County Cement Products Plant 158.14
Advanced level of vertical kiln enterprises of 10,000-44,000 tons	Zhejiang Jiangshan-Laochuan Cement Plant 34.20	Shandong Junan County Cement Plant 57.00	Jilin Shiling Cement Plant 119.00	Jiangsu Nanjing First Building Materials Plant 165.00
	Hubei Shuangfeng County Cement Plant 35.07	Anhui Su County Cement Plant 60.00	Jiangxi Lushan Cement Plant 120.00	Shandong Wulian County Cement Plant 142.80
	Shaanxi Yulinqu Cement Plant 36.36	Hubei Zhushan County Cement Plant 61.84	Sichuan Qu County 6015 Plant 120.50	Zhejiang Shangyu County Cement Plant 136.08
Advanced level of small rotary kiln enterprises	Jiangsu Vixing County Cement Plant 32.22	Heilongjiang Harbin Building Materials Plant 76.90	Jilin Shiling Cement Plant 168.00	Jiangsu Changzhou Cement Plant 155.63
		Shanghai Nanhai Metallurgical Plant 76.90	Jiangxi Lushan Cement Plant 214.40	Zhejiang Huzhou Cement Plant 149.54
		Shanghai Nanhai Cement Plant 77.00	Sichuan Qu County 6015 Plant 216.40	Jiangsu Yangling Prefecture Cement Plant 137.74

## INDUSTRY

### HENAN CCP HOLDS MEETING ON INDUSTRIAL PRODUCTION

HK181440 Zhengzhou Henan Provincial Service in Mandarin 1100 GMT 17 Feb 82

[Summary] The Henan Provincial CCP Committee held a provincial telephone meeting on industrial production in the evening on 16 February, calling on workers and staff members to heighten their fighting spirit and work hard to achieve the balanced development of production.

At the meeting, a responsible comrade of the provincial government gave an account of the conditions of industrial production, communications and transportation in the province, examined the causes of a decrease in industrial production in early February and pointed out some specific measures to be grasped in the future:

"First, it is necessary to actively carry forward the spirit of working realistically as shown during the last 4 months of 1981 and in January this year. Various departments and localities should adopt an overall point of view, heighten their understanding of economic planning, strive to fulfill the state plan qualitatively and quantitatively and make strenuous efforts to quickly change the situation of decreases in industrial production as in early February and drops in economic results as in January, and make sure that the annual plan can be fulfilled by more than 23 percent in the first quarter.

"Second, it is necessary to intensively carry out economic education. The leaders must take part in organizing forces to promote production of marketable goods." It is also necessary to organize the masses to tap potential, practice economy and observe discipline in financial and economic work. "Group consultations should be held under good leadership and in an organized way to examine the enterprises suffering losses and to draw up measures for eliminating losses and increasing profits.

"Third, it is necessary to establish ties between industrial and commercial enterprises, to systematically carry out the provincial authorities' proposal of linking up production and marketing of manufactured goods, and to have contracts signed between these enterprises as quickly as possible.

"Fourth, communications and transportation should be suited to the development of production. Materials should be transported in order of importance and urgency, so as to ensure transportation of important materials. The weak links in railway transportation should be reinforced and motor transport service organized reasonably according to the potential on the transportation front.

"Fifth, effective measures should be adopted to conserve and explore energy.

"Sixth, production of marketable goods should be increased in every possible way. At present, the majority of the enterprises should carry out technical innovation and renew their equipment in a planned and systematic way, so as to increase their efficiency and comprehensive productive capacity. The raw and semifinished materials, which are in short supply, should be produced in a well-coordinated way. Their consumption should be reduced by practicing economy and by finding substitutes for them."

CSOT 4006/325



## INDUSTRY

### BRIEFS

HEBEI JANUARY INDUSTRIAL PRODUCTION--Since the staff and workers of the Hebei industrial and communications front did a good job of preparatory work for production, January's total output value was basically equivalent to last year's, even though there were 3 working days less than in the same period last year. The average daily output value increased by 10.5 percent, an all-time record. Of the 18 prefectures and municipalities, Shijiazhuang, Zhanjiakou, Xingtai and Qinghuangdao Municipalities and Shijiazhuang, Zhanjiakou, Tongshan and Xingtai Prefectures increased their output value over the same period last year. Qinghuangdao Municipality's output value increased by 11.9 percent. The output value of 59 of the 90 major products also increased. [HK130826 Shijiazhuang Hebei Provincial Service in Mandarin 0400 GMT 6 Feb 82]

CSG: 4006/325

## CONSTRUCTION

### 'JINGJI YANJIU' ON REDUCING CONSTRUCTION PERIODS

HK261231 Beijing JINGJI YANJIU in Chinese No 1, 20 Jan 82 pp 39-44

[Article by Cai Ninglin [5591 1380 2651] and Wu Guaxian [0702 0948 6343] of the Overall Planning Bureau under the State Capital Construction Commission: "The Most Pressing Problem in Capital Construction: Shortening Construction Periods"--a discussion on one aspect of how to improve the investment results]

[Text] 1. The Present Overstretched Construction Periods of Capital Construction has Seriously Affected the Overall Readjustment of the National Economy

Since the 3d plenary session of the 11th CCP Central Committee, marked progress has been made in implementing the readjustment policy in capital construction, curtailing the scope of capital construction and other aspects. Compared with 1979, in 1981 investment in capital construction directly arranged within the state budget was reduced by two-thirds. The general scale of construction, using multiple sources of funds was reduced by nearly one-third while the number of large and medium-scale projects under construction were slashed by two-thirds. Along with this, the orientation of the use of investment in capital construction was rationally readjusted and the ratio of investment in the construction of the people's living facilities, light and textile industries as well as energy was raised to a greater extent. In particular, the total figure of investment in the people's living facilities, such as housing for staff members and workers, urban construction projects, culture, education and health work and in light and textile industries increased considerably even at a time when the total scope of capital construction throughout the nation was being drastically reduced. These readjustments in capital construction have played an important role in readjusting the proportional relations between accumulation and consumption, and especially in maintaining a balance between financial revenue and expenditure, eliminating the latent dangers and trying to gain the initiative in the overall situation.

Despite all this, no noticeable improvements have been made during this period in putting an end to the state of affairs in which the results of investment in capital construction are very poor. For instance, most of the indices ranging from the construction costs, the investments in comprehensive production capacity, the time limit for the investment recovery, the output value per worker related to fixed assets have remained at the levels before the implementation of the readjustment. If no measures are adopted to put an end to this state of affairs during the stage of the sixth 5-year plan, then the results of investment in capital construction

will be unable to reach the historical better levels. This state of affairs has become more pronounced in terms of construction cycles.

The general situation throughout the country is that during the stage of the first 5-year plan, the building time limit for large and medium-scale construction projects was 4.5 years; during the stage of the fourth 5-year plan, the building time limit was extended to 10 years and during the stage of the fifth 5-year plan, it was again extended to 13.2 years. This is twice as long as that during the stage of the first 5-year plan. Of course, over the past years, there have been some projects which developed at a relatively rapid pace. However, judged from the whole situation, the building time limits for the projects which have largely the same conditions and scope and are of the same trade are generally 100 percent or more longer than those in the past.

The extended construction periods have resulted in an abnormal situation characterized by some highs and lows. For example, in the utilization of investment, in the employment of fixed assets and in the completion and commissioning of construction projects, the coefficient was low. At the same time, both the level of the use of funds and the construction projects, the coefficient was low. At the same time, both the level of the use of funds and the construction costs were high. This was the reason why a lot of human labor and mechanical labor which had been poured into the capital construction projects had failed to become fixed assets or, even if they had become fixed assets, they failed to come into play in a normal way. This was also the reason why more investments were made but fewer returns were yielded and sometimes, even nothing was produced; more and more funds were used; the speed of the turnover of funds became slower and slower and the economic effect turned poorer and poorer.

Capital construction belongs to a department which, as Marx said, does not provide any means of production or means of subsistence within a year or a year or more. Instead, the means of production and the means of subsistence are taken out of the total production of that year. Therefore, it is necessary for the society to give considerations in advance to the scope on which capital construction is carried out and the speed for the funds to circulate so that the progress of the reproduction of the whole society will not be affected. At present, the problem of long construction periods has not only directly affected the results of investment with the speed of the turnover of funds of the whole society and the development of the whole national economy. It has thus interfered with the realization of a benign circle in the whole economy.

Why have the construction periods become longer and longer? Judged from an analysis of the objective factors it can be seen that, with the changes in the natural conditions, some projects became extremely difficult and required more sophisticated techniques. Furthermore, some projects which were started during the "great cultural revolution" were disrupted and sabotaged by the Lin Biao and Jiang Qing counter-revolutionary cliques. Judged from an analysis of the subjective factors, the construction periods were largely influenced by the "leftist" mistakes in our guiding ideology and the errors and miscalculations in our work. Specifically speaking, the problems were as follows:

1. In terms of the macroeconomy, miscalculations were made in the strategic policy decisions and construction policy. First, because we divorced ourselves from the national conditions and overvalued our actual capabilities, we committed the mistakes of being overoptimistic for success, indulging in excessively high quotas and blindly undertaking new construction projects. Along with this, in terms of concrete plans, on the premise of limited financial and material resources, we had to spread the investment funds thinly in arranging investments for them, thus inevitably extending the construction periods. Second, in the focus of construction, one-sided stress had been put on "taking steel as the key link" for a long period of time. Third, we failed to adopt a prudent policy in regard to some major projects, and particularly in regard to the introduction of major projects from abroad.

2. In terms of the microeconomy, a number of projects were undertaken which were not in accordance with the capital construction procedures. The preparatory work, such as soliciting designs and technical and economic deliberations, was done poorly. For a long period of time, in capital construction planning frequent changes have been made in the annual arrangements for the scope of construction, the focal point of investment and the main construction projects. Stress was put on "finishing this project this year and on ensuring another project next year. The idea of "doing things in a big way," "going all out" and "doubling or redoubling the effort" have been raised time and again with the result that quite a few projects were more often than not started in a hurry and then followed by a lull. This subjective practice, which runs counter to the capital construction procedures, has brought about a large number of "three whiles" projects, namely, those which include revising the design while building, changing the plans while drawing them up and dismantling the construction projects while constructing. This will inevitably cause the allocation of investments to become "bottomless" and the building time limit to become "infinite."

3. Construction management is in chaos. People are used to making a terrific din and to launching mass campaigns. Many projects have not worked out organized construction designs and not acted in accordance with operating rules. Work site management is in confusion. Not only was waste serious but quality problems also increased constantly and the rate of having to do poorly done work over again substantially increased, thus delaying the building time limits.

4. The drawbacks of the management system and the supply system of eating "out of the big pot" are the result of the following practices: First, in the past, the use of investment without repayment encouraged the various departments and localities to hasten after "struggling for construction projects in terms of a long-term plan and contending for investments in terms of an annual plan." Once they had the construction projects and investments in their own hands, they did not bear any economic responsibility and even used them at will without paying any attention to the economic effect. Second, when problems were encountered, the bureaucratic work styles, such as shifting responsibilities onto others and arguing over trifles, quickly emerged among various trades and professions, between the builders and the designing units, between different construction units, departments and localities, and between the main projects and the auxiliary projects. Third, there were many "leaks" in the management. The first party and the second party of quite a number of construction projects made use of the drawbacks in this system to coordinate with each other by tacit agreement. When the projects were completed, both were unwilling to make the completed projects available to the users and be classed as completed, be accepted



after examination and put into production. All the year round they are "out of the construction big pot" and proceeded to take advantage of this practice to indulge in unhealthy practices.

## II. Take the Shortening of the Construction Period as an Important Target for Improving the Results of Investment

In the narrow sense of capital construction itself, in order to improve the results of investment, first, it is necessary to reduce the consumption of capital construction materials; that is, to cut down the construction costs. Second, it is essential to accelerate the turnover of funds; that is, to shorten construction periods. Seen from the present situation, construction costs are considerably affected by commodity prices, which are difficult to confirm in terms of planning. Furthermore, long construction periods will result in slow capital turnover, great losses and waste and poor investment results. Therefore, speeding up the turnover of funds and improving the investment results by shortening the construction cycles is a target which is practical and provides us with material benefits and also has a substantial bearing on the overall situation. Under the present circumstances, this can be used to lead the "ox by the nose."

First, taking the construction periods as an indicator for checking the investment results enables us to have an all-round understanding of the situation and avoid being misled by some false appearances.

As mentioned above, at present, it is difficult for us to give play to indices of the effects of material and monetary investment. This is due to all kinds of reasons and at the same time there are some defects in these indices. For instance, the annually added production capacity and newly added fixed assets are considerably affected by the construction periods of some large-scale construction projects. Once some large-scale projects are completed and commissioned, then these two indices for the year will increase markedly. In addition, the construction costs are greatly affected by the price fluctuations in equipment, materials and land, and the time limit for investment recovery is also influenced by price being divorced from value. The use of these indices alone for checking the results of investment will possibly give rise to some inaccurate and even erroneous concepts. For example, if the raw materials and fuel used by some petro-chemical projects are calculated in terms of domestic prices, the investment results will be very obvious. Very often all investments can be retrieved within 3 or 4 years after completion and commissioning. But if calculated in terms of international prices, then things will be entirely different. Practically speaking, no profit or only a meagre profit will be gained. If such expenses as wages are calculated in terms of international prices, losses will occur. This sort of situation is fairly universal. Furthermore, the use of a time limit for investment recovery as a means of checking the investment results apparently cannot entirely reflect how things stand in reality.

Apart from this, what merits attention is that the system of using investment without repayment conceals the contradictions existing in investment recovery. For instance, in talking about the economic effect, some departments more often than not compare the total amount of investments made by the state in their departments with the total sum of taxes and interest they have handed over to the state. Using this means of comparison, no conclusion that the economic effect is poor will be reached

even in the departments whose investment results are very poor. This method of comparison is inaccurate and unscientific because ordinary interest let alone compound interest is not included. (Internationally, when governments or the World Bank provide loans, a discounted current value floating analytical method is used to calculate the investment allocations or the use of investments. For this reason, the principal and interest of the free foreign exchange we borrowed from other countries will double or redouble within 6 years.)

There is another drawback in checking the results of investment made in capital construction using the time limit for the investment recovery. This is, even if the results of investment in some projects which can create material wealth after completion and commissioning and industrial projects can be checked, we are still to check the results of investment in nonindustrial projects, such as water conservancy projects, schools and hospitals, and in the projects which do not directly provide material wealth.

Compared with the time limit for the investment recovery, the index of construction periods can fairly objectively reflect the actual condition of the results of investment in capital construction and we are more able to make comparisons at various stages.

Second, at present, the implementation of taking the shortening of the construction periods as a means to improve the investment results will provide us with material benefits. This is because this index of the construction periods reflects the length of time used in an investment. For example, the longer the construction periods are, the longer the period the investment will be used for the greater the will total consumption be. Therefore, this is an important factor which decides the quality of the results of investment in capital construction. On the condition of an unchanged amount of investment results and the greater the waste. On the other hand, shortened or unextended construction periods can put an end to the phenomena where thousands upon thousands of people are pinned down all the year round in a construction project engaged in a war of attrition and where the investments are used up with no purpose. But what is more important, this enables the projects to play a role after they are completed and commissioned and create wealth for the country as quickly as possible. According to estimates, shortening construction periods by a year will mean a saving of 5.5 billion yuan in builders' wages alone. This sum, plus the profit and taxes worth 4.5 billion yuan, which will be created by these projects whose building time limits have been shortened and which have already gone into operation a year early, will constitute 10 billion yuan! This sum of funds can be obtained through improving our work in planning, designing and construction management. Therefore, paying close attention to this link of shortening the construction periods will help accelerate the turnover of all funds and improve the results of the whole national economy.

Of course, using the construction periods alone for checking the investment results and ignoring other indices also has some limitations. This is because this index of the construction periods cannot entirely embody the principle of getting more done for less money. For instance, unnecessary additional investment for the sake of shortening the construction cycles will not necessarily raise the investment results. So, while adopting the method of using the construction periods for checking the results of investment in industrial construction, it is necessary to take the fixed

amount of investment (namely, construction costs) into calculation. Otherwise the sole use of the construction period index as a means of determining investment consumption will possibly not reach a correct conclusion. The reason why we have stressed the need to grasp the construction periods is the result of the present specific situation in which the construction periods of the projects under construction are generally extended and the prices and basic fixed targets are relatively confused.

### III. To Shorten the Current Construction Periods, Emphasis Must Be Put On the Work in the Following Fields

Readjustment over the last 3 years has shown us that grasping the curtailment of the scope of capital construction alone cannot solve the problem of poor investment results. This problem has seriously prevented the whole national economy from achieving a benign cycle. Therefore, it is necessary to ensure the work in planning, designing, construction and materials and make the acceleration of the shortening of the construction periods an important issue. We deem that special attention must be paid to doing the following work well:

1. The total annual scope of investment must be rationally formulated. One of the characteristics of the activities of capital construction is that the construction periods are rather long. It is very important to draw up long and medium-term, stable and feasible plans. In the plans, great importance must be attached to the rational formulation of the total scope of construction with a 5-year time limit. Once the 5-year limit is fixed, it is possible to stabilize the annual plans. This will, on the one hand, help us arrange the various work in capital construction on our own initiative, namely, arrange large-scale equipment beforehand, and, on the other hand, help us conscientiously control the undertaking of new projects. At the same time, it will help us become more active in drawing up the annual arrangements for the projects and thus we can avoid not having an accurate understanding of the situation and can avoid waiting for plans to work out targets.

How should the annual scope of investment be fixed? Here there are the problems of proceeding in everything from reality and of the limits of rational quantities. Over extending the annual scope of investment is, of course, not desirable. We must learn the historical lessons in this respect firmly in mind. However, on the other hand, this does not mean that the smaller the annual scope of investment the better. At present, under the circumstances in which the total scope of the large and medium-scale projects under construction has been slashed substantially, too small an annual scope will, on the contrary, drag out the construction periods and reduce the results of accumulation. This is because there is a direct ratio between construction periods and the total scope of investment in a project and an inverse ratio between construction periods and the annual scope of investment. At times when large quantities of equipment and materials are stockpiled, great numbers of builders who are still being paid by the state are left idle and the extra-budgetary funds have become more available, we are of the opinion that under a prerequisite of not interfering with the balance in state revenue and expenditure, it is of great use for the whole national economy to expand the annual scope of investment in a guided and appropriate way through raising funds by various methods, such as the banks' expansion of savings deposits. This will help shorten the construction periods of the projects under construction. It will also help complete, as quickly as possible,



those projects under construction which can rapidly provide production capacity and have good economic effect and help these factors come into play. This can make use of extra-budgetary funds in the construction projects the state needs urgently; and help bring into play the role of the equipment and materials left in stock and the builders left idle. At the same time, this will not put pressure on purchasing power in the market but instead will be conducive to reinvigorating the national economy and boosting financial revenues.

2. The undertaking of new projects must be earnestly ensured and we must ensure that we act in accordance with the procedures of capital construction. Ensuring a construction project is rationally planned is a prerequisite for shortening the construction period and also by and large decides the results of investment in this project. Therefore, one must be doubly prudent and rigorous in starting a new project, and the more important the project is, the more rigorous and prudent one must be. First, it is necessary to fully do well the preparatory work of a construction project and minimize blindness. In the future we must do a solid job in some important projects' "design preparations" and thoroughly end those kinds of "three whiles" projects which were started without timely preparations. In accordance with the requirements of the sixth 5-year plan, apart from the large and medium-scale projects which are to be formally included in the planning and construction, it is necessary to select a batch of some important survey design projects and put them into "the secondary register." After various preparatory work is done well, it is imperative to start the projects in accordance with their importance and the capabilities of the state's construction conditions. Second, besides serious feasibility studies, for all projects we must hold strict economic feasibility discussions and make comparisons of various plans. The projects must not only have a qualitative concept (whether a project is important or not or whether it should be constructed or not) but also a quantitative concept (to what scope it should be constructed and when it will be completed and produce results). We must pay attention to its scientific nature. A strict responsibility system must be established among the departments, specialists and responsible persons who formulate plans for deliberation. Third, those projects without approved designs and those which have not gone through examination and approval must not be listed in the annual plan. In the previous annual plan, it is necessary to do well the work of designing, examining and deliberating on the projects which are to be constructed in the next annual plan in accordance with the 5-year plan. The projects which are to be listed in the annual plan must have: 1. natural resources (including water resources); 2. an ensured supply of raw and semi-finished materials; 3. ensured fuel and power supplies; 4. ensured transportation and communications; 5. ensured funds; 6. ensured cooperation from all sides; 7. technology and techniques which are up-to-standard; 8. environmental protection which is up-to-requirement; 9. well-done preparatory work; 10. a fixed market for their products; 11. clear economic benefits (for instance, they may not yield benefits in terms of microeconomy due to price problems, but they may produce marked benefits in terms of macroeconomy or calculated in terms of international prices and theoretical prices and social benefits; 12. authorized documents of approval for estimated budget of the design and working drawings for the whole year's project. In the future, this practice must be fixed as a system. All quarters and sides, and in particular the leading organs must take the lead in carrying it out.



3. The orientation of the use of investment must be rationally readjusted. The orientation of the use of investment has a direct impact on the construction periods. At present, the following problems in planning and arrangements need good solutions. First, large-scale projects and especially integrated enterprises must uphold the principle of staggering the construction and the commissioning of the construction projects and thus benefit from them in stages. This is the case with the projects to be undertaken and the projects under construction must also use this method to sort out and spread themselves. First, they must concentrate strength to construct some partial subfactories or production installations and after these parts of projects are completed, commissioned and produce results, they themselves should undertake the construction of the remaining parts. This will thus put an end to the old practice in which all of a largescale project was undertaken simultaneously and advanced at the same rate, thus dragging out the construction time limit, and in which the whole project's investment was handled singly from beginning to end by the state. In this regard, it is imperative to break down some conventions of design regulations which were copied and borrowed indiscriminately from the Soviet Union in the early days of the founding of the PRC. It is not advisable to undertake a project all at once in a big, comprehensive and complicated way. Construction of a project should be carried out in stages. At the same time, living facilities and other items for projects to be constructed in cities should be put under the unified planning of local governments which can then take them into their urban construction program. Not every project must necessarily have its own individual living facilities and logistics services. Second, while constructing some large-scale projects in a planned way in key units, it is necessary to speed up, in a selective way, the construction of a batch of medium and small-scale projects which have good conditions, require less investment and promise quicker results. In particular, in using the foundation of existing enterprises to carry out technical transformation, we must put the focus on developing the production of consumer goods so as to coordinate the relationships among the various departments, arrange well the relationship between the 2 major categories, achieve both good economic results and a benign circle of the whole economic movement and promote the steady growth of the national economy. Therefore, under the present specific conditions, in terms of the use of investment, it is not encouraged to excessively pour large quantities of funds into the projects which involve heavy investment and a longer construction period and which yield slower results. As for those projects involving a longer construction period and yielding slower results but which are indispensable, namely, large-scale infrastructure such as railways, harbors, coal, water and electricity, we must adopt the method of staggering the construction. We must commission the construction projects and benefit from them in stages and the tendencies of blindly pursuing the form of "gib, public and foreign" must be opposed. Third, in terms of the use of investment and the arrangements of the projects, it is still necessary to integrate the projects with the overall technical transformation of the whole national economy. Whenever production can be developed by relying on the technical transformation of existing enterprises, starting new projects must be resolutely checked so as to avoid duplication in construction.

4. The balance and congruities of the inner sectors of construction must be correctly handled. In the past when excessively high quotas prevailed, these unattainable excessively high quotas inevitably led to all-round dislocation, drastic fluctuations and arbitrary construction and dismantling. This involves a question of how to correctly understand and treat the focus of work. In the past we indul-

ged in "taking steel as the key link" and we have paid a high price for it. This is because the national economy is an organic entity which should be coordinated and have internal cooperation.

For example, at present, increasing our capacity to extract coal and grasping well the measures to economize on energy are the main measures for solving the strained supply of energy. In addition, in quickening the pace of the construction of the coal industry, what is important is to maintain a fixed scope of mine construction and put an end to the present situation in which the scope of mines under construction is on the small side and the annual extra capacity which goes into operation is unduly small. However, this does not mean that the wider the scope of coal construction, the better. This is because first, at a time when, in the near future, the scope of investment in capital construction throughout the nation is to be put under appropriate controls, the scope of increased investment in coal industry cannot be too great; second, the work of geographical prospecting for coal and other minerals is particularly poor, and preparatory work for the mines which are to be opened up, such as prospecting plans, has not been done fully; third, at present some mines are in a state of "production according to transport capacity" and their principal contradiction is that transportation is a bottleneck." Under these circumstances, one-sidedly expanding the scope of coal mines under construction will inevitably disperse the financial and material resources and reduce our capacity to produce coal. At present, although some mines have been hurriedly opened, production has not increased for a long period of time because the work in geographical prospecting, technology and designing has fallen short of demand. The so-called "scope under construction" of these mines is in fact false. There are historical lessons both at home and abroad in this respect. From 1970 on, we began to open up new mines in a big way and the scope of coal mines under construction was widely extended but it was, in fact, "extensive cultivation but poor harvest." The average annually added coal-extraction capacity out of the scope of coal mines under construction is about 10 percent, with the construction cycles average more than 10 years and have very poor investment results. (Of course, most of the coal mines constructed in the 1950's were drift mines, slope mines and shaft mines with shallow pit shaft. There are many large-scale mines at present, the pit shafts of which are deep and the excavation projects of which are numerous. So the building time limits for these mines are comparatively long.) In our opinion, it is necessary to maintain a certain scope of mines under construction but what must be stressed is that on a fixed scope of construction, it is necessary to try hard to shorten the construction periods and improve the investment results. Seen from an analysis of the various factors which affect the construction periods in the coal industry, it is very possible to shorten the construction periods in the coal industry. It is of practical significance to stress this question at present. We must reduce the construction periods in order to enlarge capacity and output. We must not blindly expand the scope of production.

5. The use of investment without repayment in capital construction must be changed into the use of investment with repayment; the method of giving full-amount credit to the construction projects must be practiced and the supervisory role of banks must be strengthened. Seen from the 2 years of trials, the method of replacing financial allocations for capital construction by bank loans has played a fairly good role in promoting the careful calculation and strict budgeting of the enterprises, reducing the consumption of materials, accelerating capital turnover and

putting an end to the practice of eating "out of the same big pot." We must continue to carry this work forward. In the future, the method of replacing all-round budgetary funds allocations by bank loans must be practiced among the projects which have the capability to repay loans. The projects which do not have the capability to repay loans should be held fully responsible for their own investment balances. At the same time, it is essential to give play to the screening and supervisory role of banks. Under the guidance of the state plan, in selecting and planning the credit items, the banks must strengthen investigation and study, strictly examine and analyze the economic rationality of the projects and observe and study the role of the projects in our economic and social development. They must calculate the economic results produced after the completion of the projects in our economic and social development. They must calculate the economic results produced after the completion of the projects and the time limit for the investment recovery. It is necessary to practice varied rates of interest and a floating loan interest rates. Those projects which drag out the building time limit and exceed the budget must pay double interest or their bank loans will be suspended. As for those projects which find it really hard to gain profits, we must calculate their benefits in terms of theoretical prices or shadow prices and draw up a fixed amount of state financial subsidy.

6. Designing work must be improved, the construction management must be consolidated and a strict economic responsibility system must be established. First, it is imperative to give prominence to the designing of capital construction. The methods used to draw up budgetary estimate plans must be changed. At present, the working budget is drawn up by the units in charge of construction. This is extremely irrational and does not provide a position from which to guide construction. The budget must be drawn up by the designing units instead. Those large and medium-scale projects which are under construction and the proposed estimates for which have been exceeded by 30 percent or above and those projects the planned building time limits of which have been exceeded by 3 years or more must carry out a check up and define the contract targets which must be fulfilled within a specific time. At the same time, it is necessary to revise the various basic fixed quotas as soon as possible. Second, it is essential to give prominence to the consolidation of construction management. While consolidating the leading bodies, it is necessary to put an end to laxity and softness in ideological and political work and the phenomena in which the work efficiency is low, quality is poor, accidents are numerous, waste is great and the business style is unhealthy. These phenomena exist in most of the construction enterprises at present. Along with this, it is necessary to correspondingly establish indices for the appraisal and examination. In addition, a lot of time and energy must be devoted to reforms. In the future, construction projects must be based on a relatively accurate budget. In terms of investment allocations, state allocation must be replaced by bank loans and assignment of responsibility for investment should be given to a second party under a contract. The system of assuming full responsibility for one's own profits and losses must be practiced among the units in charge of construction which are allowed to contract out work, materials and construction costs and which are held comprehensively responsible for the items and quality of the construction projects. Regarding the design and construction of the projects, it is necessary to adopt the method of public bidding. The projects must be chosen according to the principle of priority. Third, the economic responsibility system in various links should be spread and through establishing the responsibility system, interests, responsibilities and benefits should be combined, so as to accelerate the consolidation of the construction projects. Some localities have gained good experiences in this respect. We must sum up and popularize their experiences. We hold that the implementation of the responsibility system is an effective way to shorten the construction periods, improve the investment results and accelerate the tempo of construction.



## LABOR AND WAGES

### JINGJI YANJIU' ON THEORY OF LABOR FORCE OWNERSHIP

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[Article by Li Guangyuan [2621 0342 6678] of the Commentary Department of Economic Research of Hongqi: "A Query About the Theory of Labor Force Ownership"--note passages within slantlines denote boldface type]

[Text] The discussion of "labor force ownership" in the press over the past few years is the second time this discussion has cropped up in our country. The first time it was discussed was the result of criticizing the "communist wind" and the practice of "equalitarianism and indiscriminate requisition" arising in the movement to organize people's communes, which took place in 1962. At that time, some comrades in the economic circles theoretically aired an idea like this: In addition to the general concept of the system of ownership of the means of production, there should be another category: The "system labor force ownership." Only by regarding both the two as the foundation of the production relations, can we have a comprehensive understanding of any one type of production relations and differentiate one type from another. The historical background of the present emergence of the question is mainly that the economic readjustment and reforms require people to make a thorough inquiry into such questions as the socialist public ownership system, the principle of distribution according to work and the relations among the state, the collective and the individual. The comrades who advocate the "labor force ownership system" hold that this formulation is not only a breakthrough in theory but also helpful to answering the above-mentioned questions arising in the practice of socialist construction and for this reason, they have advanced such formulations as the theory of public ownership of labor force under socialism (Luo Gengmo: "On the Study on Some Theoretical Problems of the Production Relations," GUANGMING RIBAO, 23 January, 1962; Jiang Jianjun: "On the Relations of the Labor Force Ownership System Under Socialism," XUESHU YUEKAN [ACADEMIC MONTHLY] No 6, 1980), the theory of individual ownership of labor force under socialism (Yu Wu: "A Tentative Study of the Forms of the Labor Force Ownership System Under Socialism," XIN JIANSHE [NEW CONSTRUCTION] No 6, 1962; Sun Hengzhi: "On the Exploration of the Causes of the Commodity Relations Under Socialism," XUESHU YUEKAN No 11, 1979), the theory of partial individual ownership of labor force under socialism (the partial individual ownership of labor force consists of two forms: one is that "the individual ownership of labor force is partially preserved" and no clear statement is ever made concerning whether the other part of labor force is publicly owned or cannot be distinguished as "ownership" (see Xue Muqiao: "A Study on the Problems of China's Socialist Economy," People's Publishing House, 1979 edition



(same hereafter) (chapter 4) and the other is that part of the labor force is owned by the individual and the other part is owned by the society under socialism, (see Li Weixun: "To Whom Do the Rights of Ownership of Labor Force Under Socialism Belong?" *JIANGHUAI LUNTAN* [*JIANGHUAI FORUM*] No 4, 1980) and the theory of dual ownership of labor force (Wu Jixue and others: "Individual Rights of Ownership of Labor Force is the Foundation of the Principle of Distribution According to Work," *JIANGHUAI LUNTAN* No 5, 1980).

In my opinion, it is difficult for the theory of labor force ownership to hold water. It cannot correctly answer the above-mentioned questions and especially cannot correctly show the essence of socialist ownership and the position of the laboring individuals in the socialist production relations (in 1962 I raised the question "can the formulation of labor force ownership hold water?" *XIN JIANSHE* No 8, 1962). Now I feel it is necessary to make further exploration and research. In this article I would like to avoid repeating what I said at that time. Although some comrades did not think that there existed labor force ownership under socialism (I held the same view on this point), instead of objecting to the formulation of labor force ownership, they held that labor force ownership did exist in the capitalist society. For example, Yu Changhe: "A Tentative Study on the Relations of Ownership of Labor Force," *GUANGMING RIBAO*, 14 May 1962; Yuan Qian: "Does There Exist the Question of Labor Force Ownership in the Socialist Society?" *GUANGMING RIBAO*, 25 June 1980; Jiang Xuemo maintained that the socialist production relations there did not exist labor force ownership in principle but there existed the remnants of labor force owned by the individual ("My View on The Question of Labor Force Ownership Under Socialism," *YUESHI YUEKAN* No 11, 1980). There are a few points the author of this article wishes to discuss with them. I am now going to discuss my understanding and I look forward to the comments of the comrades who advocate the theory of labor force ownership (hereafter shortened to the "advocates").

## I

The advocates have made two criticisms against the formulation that the system of ownership of the means of production is the foundation of the production relations, which are also the two reasons for their proposition of the category of labor force ownership: First, besides the means of production, the essential production factors still consist of labor force. For this reason, it is one-sided and incomplete to mention the system of ownership of the means of production alone to the neglect of labor force ownership. Second, historically the distinction between various different production relations lay not only in the difference in the system of ownership of the means of production but also in the difference in the forms of combination of the means of production with labor force. Therefore, mentioning the system of ownership of the means of production alone is far from making out the different production relations (Xue Mugao: "A Study on the Problems of China's Socialist Economy," p 67). They very often cite and take the quotation from Marx that the unique form of the combination of the laborers with the means of production divides the social structure into different economic stages as the grounds for the two points of their criticism ("Das Kapital," People's Publishing House, 1975 edition (same below) Vol 2, p 44).

Let us make an analysis of the two points of criticism and their reasons.

With its terms of history and of logic, the term system of ownership entails a process of advancing from the simple to the complicated and has different connotations in terms of different facets of different historical stages and logical analyses. In observing and studying the emergence and development of the system of ownership, it is better to start from its history rather than a preconceived definition. In this way we can first of all see that ownership is the product of the production of mankind. It was first a relationship taking place in production between people and nature: To engage in production, man had to utilize means of labor to transform the primitive state of objects of labor so as to achieve the products he himself needed. This practice of utilizing, transforming and achieving was the first "real possession." ("Collected Works of Marx and Engels," Marx: "Manuscript of Economics (1857-1858)," Vol 46, p 493) People regarded the things which they utilized, transformed and achieved in production as their own things and owned them in reality. This was the initial relationship of ownership or relationship of property. So Marx said: /"property/ initially means nothing but a relationship like this: man considers his natural conditions for production as things belonging to him, as his own and as the /preconditions coming into being simultaneously with his own existence."/ ("Collected Works of Marx and Engels," "Manuscript of Economics (1857-1858)," Vol 46, p 491) Here the natural conditions of /consumption,/ namely, the means of consumption gained by people were discarded by Marx. He expounded in greater details the reasons why ownership could be summed up into the relationship of production conditions alone. ("Collected Works of Marx and Engels," "Manuscript of Economics (1857-1858)," Vol 46, p 492) these reasons are also the reasons why the classic Marxist authors frequently used the terms ownership and the ownership of the means of production means as synonyms. Marx put it briefly: "All production means that an individual engages in taking possession of nature in a certain social form by making use of the social form. In this sense, the term property (possession) which is a condition of production refers to synonymous repetition." ("Collected Works of Marx and Engels," "Manuscript of Economics (1857-1858)," Vol 46, p 24) By temporarily leaving aside the certain social form, we can sum up briefly that production means an individual coming into possession of nature. Here the term individual refers to laborer and he is the subject of production. Therefore also the subject of the possession and the relationship of ownership. Nature, that is, the means of production, is the object of production and therefore also the object of the possession and the relationship of ownership. As for the ability to work which is inseparable from the body of a laborer, it can also be regarded as a natural force. However, in the general process of production, namely, the process of a laborer taking possession of the natural materials, the ability to work is an ability of the laborer to carry out this possession. It is a factor attributable to the subject rather than the object or target of possession. Marx said: "To formally own the living natural materials, man has to motivate the natural force in his body--arms and legs, head and hands," ("Das Kapital," Vol 1 p 202) This clearly distinguishes the object of possession from the ability of a laborer to carry out this possession.

The first point of criticism or reason of the advocates contains a precondition like this: All the essential factors of production are "naturally" the objects of the relationship of ownership. (Wu Jixue and others said: "Since production conditions invariably include the two aspects of labor force and the means of production, the so-called possession of labor force." GUANGHUAI LINTIAN No 5, 1980, p 18) In my opinion, in terms of method, there are two inappropriate points in this formulation: First, in studying the emergence of the system of ownership, they consider and discuss a preconceived way the system of ownership as the general preconditions of pro-

tion instead of making a concrete analysis of the general actual process of production. In fact, in his "Introduction to a Contribution to 'Critique of Political Economy'," Marx criticized the idea of the bourgeois economists, and particularly that of J. S. Muller, an idea regarding and discussing property, namely, the system of ownership as the general precondition of production. The above-mentioned quotation from Marx on synonymous repetition was aimed to counter this idea. Second, failure to make a distinction between the subject and object of production obscures the demarcation line between the subject and object of the relationship of ownership. So the conclusion they derived from the above-mentioned preconditions does not tally either with the historical reality of the emergence of ownership or with the general logic of production. Besides, if their above-mentioned preconditions hold water, this will lead to a conclusion with which they themselves obviously cannot agree: at any time, a /laborer/ is invariably the object of the relationship of ownership, because the meaning of the quotation from Marx which the advocates cite as a ground is precisely that a laborer "has all along been a factor of production." (Marx: "Das Kapital," Vol 2, p 44)

In the foregoing paragraphs, we have temporarily shelved the social form of production and taken production as a relationship between man and nature, therefore, ownership is manifested in the relationship between man and material. However, actual production always takes the shape of a certain social form and the subject of production will invariably own the object of production through a certain social form. For this reason, the system of ownership always finds expression simultaneously in the relationship between man and man, which takes different social forms in different historical stages, that is, what Marx meant by saying "the unique means and ways" which combined a laborer with the means of production. ("Das Kapital," Vol 2, p 44)

Initially the laborers collectively and directly owned the means of production like land through joint labor of clan communes. Later, the state of affairs in which the individual directly owned the means of production through individual labor developed. The further development of the productive forces resulted in the emergence of the exploiting classes and of the phenomena in which the laborers and the means of production were divorced from each other. This divorcement does not refer to mutual noncontact in terms of physics. If that were so, it would be impossible for there to be any process of production, but instead it refers to the fact that a laborer could no longer be the subject of production which utilized, disposed of and owned the means of production according to their own wishes and wills. From then on, the laborers became either slaves or serfs who later "directly belonged to the category of the means of production." (Marx: "Das Kapital," Vol 1, p 742) To change the subjective conditions of production into the objective conditions of production, only when they were owned (here what is owned refers to a laborer, not labor force) by the masters of production (later slave owners and serfs owners), could they combine themselves with the means of production; or under capitalism, they become wage workers and only when they continuously sell their labor force to a capitalist as "the objective conditions" of production and are merged into capital by the capitalist, can they combine themselves with the means of production.

Marx said: "Slaves and serfs directly belonged to the 'objective conditions of production' and 'they were owned by people as such objective conditions'; "as for capital, workers are not the conditions of production while labor alone is."

("Collected Works of Marx and Engels," "Manuscript of Economics (1857-1858)," Vol 46, part 1, p 499) on these occasions, the exploiters "dispose of man mainly and almost entirely by /relying on/ and /by means of/ the disposition of material." ("Collected Works of Marx and Engels," Engels: "Anti-During," Vol 20, p 202) here the ownership of the means of production of the exploiting classes includes their disposition is taken as its main content, because only this disposition can make the ownership of the exploiting classes work and constantly undergo reproduction and become living and practical ownership. So, "ownership means disposition of others' labor force." ("Collected Works of Marx and Engels," Marx and Engels: "German Ideology," Vol 3, p 37) slavery, feudal serfdom and the capitalist wage labor system are three kinds of ownership of the means of production and /at the same time are also three forms by which the exploiters dispose of the laborers. The difference between them lies in whether this disposition includes personal affiliation and in the degree of the affiliation rather than in another type of ownership—"labor force ownership." If we take the form of the combination of the laborers with the means of production out of the ownership of the means of production and regard it as something else as the advocates have done, (for instance, the difference of the three exploitative systems lies "not in the difference of the system of ownership of the means of production alone, but what is more important, in the difference of the form of the combination of the laborers with the means of production." (Xue Muqiao: "A Study on the Problems of China's Socialist Economy," p 67) then the ownership of the means of production will become merely a relationship between man and material. This will blur the distinction between the different forms of ownership. For example, if people merely interpret the ownership of the means of production of the capitalists as a kind of relationship between man and material in which the capitalists own the means of production and fail to see that at the same time, this ownership is a form of disposition of wage workers, then this means they have not touched on the essence of this unique system of private ownership at all. Only by interpreting the system of ownership of the means of production of the capitalists as such a /relationship/ in which by making use of the movement of capital, the capitalists constantly own gratis the surplus value created by the labor of the workers, can people be regarded as having grasped the essence of this system of ownership of the means of production and can they explain the difference between this form of exploitation and other forms of exploitation. The reason why a capitalist is a capitalist and not any other type of private owner is precisely that he constantly owns the surplus value of the wage workers rather than the means of production.

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Another important ground of the advocates is that Marx said that in a capitalist society, a workers is the owner of his own labor force. Some advocates regard this term "own" as a practical ownership like the ownership of the means of production of the capitalists and as a "really true," "genuine" and "complete" ownership, and describe the relationship between the capitalists and the workers as the "combination" of these two rights of ownership or the "unity of opposites," and also consider it as Marx's viewpoint and even term the affirmation of a worker being the owner of his own labor force as the "foundation" of the theory of surplus value. Gao Gang said that under capitalism, labor force "is really and truly owned by a laborer" and "the denial of the fact that a workers is the genuine owner of his own labor force will shake the foundation of the whole theory of surplus value."



Chinese Yearning No. 11, 1980, p. 33) He Lin and others said that Ye Jie "has grasped the relationship of opposition of the rights of ownership of labor force and of the means of production as a relationship which ran through the whole process of the emergence and development of capitalism." "The historical process of the emergence and development of the capitalist production relations is the process of the unity of opposition of the relationship between these two rights of ownership." (Jingji Jiaozhi, No. 1, 1980, p. 18) Zhou Xianying said: "A capitalist society is composed of the system of public ownership of the means of production and the system of complete ownership of one's labor force and the direct combination of the two." (Jingji Jiaozhi, No. 2, 1980, p. 33).

In my opinion, these formulations do not tally with either reality or the original meaning of Marx.

The idea of regarding the material conditions of production as the meaning of "ownership" of the workers' own property, was formalized and has been negatively criticized by the bourgeois economists. John Smith described "the right of possession of labor" as "the principal foundation of the various other rights of possession" and with this "the physical strength and skill of the man with which he can master nature." ("The Making One's Country Rich," Vol. 1, China Publishing House, 1949 edition, p. 142-143) John Baptiste says, the originator of Utilitarianism, regarded "the right of possession of the ability to work" as "the right of a grade higher than the rights of possession of land and capital." ("A Summary of Political Economy," Commercial Printing House, 1943 edition, pp. 136-137)

Does the Marxist theory of surplus value take this "genuine" right of ownership of the workers of their own labor force as "the foundation?" We just continue to say, does it thoroughly expose the opposition of this right of ownership?

Does Marx take account of labor force: both the capitalists and the workers own their own labor force? No, the capitalists have money while the workers have labor force. Both parties exchange their possessions with each other for their own profit and "in an equal exchange." In other words, both parties have a full right to handle their own possessions, in that one is a "freely born," "free" and "complete" right of ownership. Marx Smith and the said is only the realization of this economic phenomenon in their circles.

Marx is wrong that they are. He saw through the appearance to the surface. When saying that the source of production of surplus value, Marx said: "In this act, the relationship of exchange between the capitalists and workers has merely become a conventional phenomenon belonging to the process of circulation and becomes a form which has nothing to do with its own content but made itself appear as content." (Marx Capital, Vol. 1, p. 845) In other words, the ownership of labor force of the workers is merely a superficial phenomenon of the process of circulation.

In view of this question, it is necessary to have a look at the historical development before and after the buying and selling of labor force.

It is difficult to work, labor force can be realized only when it is separated and can be brought into play in labor. If a man cannot work for 5 days, 1 day's salary of his skill can be realized and afterwards will no longer exist. It will

Thus, the labor force of a worker under capitalism has become a labor force which is completely divorced from the means of production, that is to say, it has lost the objective conditions for "displaying," "realizing" and "bringing" itself "into play." In Marx's words, it is "a labor which is divorced from all means of production and objects of labor and divorced from the entire objectivity of labor and a living labor from which this essential factors of the genuine practicalities of labor have been /drawn out/ (at the same time it is without value). This is a complete appropriation of labor with the existence of mere subjects and lack of any objects." ("Collected Works of Marx and Engels," "Manuscript of Economics (1857-1858)," Vol 46, part 1, pp 252-253) Therefore, before the labor force of a worker is sold to the capitalists, so far as the worker himself is concerned, it is of no use at all and practically nothing to him. Even if he does not work, he will consume a certain amount of means of subsistence every day to maintain it. Therefore, after a day passes, not only a day's labor force will vanish but also a deficit will appear in the workers' "ownership" of labor force from which the "practicalities have already been drawn out" and which is "without value" to the capitalists' "really true," "genuine" and "complete" ownership of the means of production and mention the two in the same breath?

Sold labor force which is realized in labor has become an actual strength which creates wealth. However, by this time this actual strength and the actual things it created belong to the capitalists rather than the workers. What functions here has no longer the laws of proprietary rights of commodity production but the capitalist laws of ownership instead. The advocates more often than not neglect this point and always apply the laws of proprietary rights of commodity production which find expression in the market of labor force to treating the relationship between the capitalists and workers. But Marx did not approach things in this way. In his "Das Kapital," Volume 1, chapter 22, he used practically a whole chapter to systematically expound the question of transition of the former laws into the latter laws. Early in 1857-1858, in his "Manuscript of Economics," while talking about this question, Marx said: "In order to term the relationship between capital and wage labor as a /relationship/ or /law of rights of possession/. We only need to term the relationship of both sides in the /process of reproducing value/ as the process of coming into possession."/ "The second law of rights of possession of the bourgeoisie is...that labor is signified by the denial of the rights of possession." ("Collected Works of Marx and Engels," "Manuscript of Economics (1857-1858)," Vol 46, part 1, pp 468-469) In other words, the capitalists own the surplus labor of the workers without compensation--//this is the relationship of the system of ownership between the capitalists and the workers,/ namely, the essence of the capitalist ownership of the means of production. How can this kind of relationship be described as both mutual confrontation and mutual integration of the /two types/ of ownership system (the system of ownership of the means of production of the capitalists and the system of ownership of labor force of the workers)?

The comrades who advocate that a worker has the real right of ownership of labor force explain that what the worker sells to the capitalists is only the rights to temporarily use and dispose of labor force and anyhow he preserves the "right to own" his labor force. There are two problems in this respect:

First, as we have mentioned above, if the labor force of a wage workers is not given to and "used" by the capitalists, it will be meaningless. Then when the capitalists take away the right to use and the right to dispose of labor force, what essential contents will remain with "the rights of possession" left to the worker? The advocates may say that a worker earns wages by selling his labor force. This is proof of his right of possession of labor force. In terms of the laws of ownership of commodity production, this seems to be correct. In the relationship of the exchange of common commodities, if one earns article B which formerly did not belong to one but to others by letting hiring out article A, one is reckoned to be the owner of article A. But the exchange of labor force for wages is essentially different from this, because the wages for which a worker exchanges his labor force are created by the labor of the worker and on which the capitalists do not spend a single cent. "The part of capital itself which is used in exchange for labor force is a part of others' labor products which are owned without paying any equivalents." (Marx: "Das Kapital," Vol 1, p 640) So the form of wages only serves to conceal the fact that the capitalists own /gratis/ the labor of the workers. How can this prove that the workers have the rights of possession of and even "genuine" rights of possession of labor force?

Second, looking in isolation at a single act of sale of labor force, the "utilization" and "disposition" of the labor force of a worker by the capitalists seems to be "temporary," and it will be returned immediately on the expiration of the contract. Namely, the sold labor force will be discharged and made anew "equal to zero" and left for the workers to shoulder this valueless "belonging." What Marx meant by saying that "in hiring out his labor force, a worker does not abandon the rights of possession of labor force" precisely refers to this sense. ("Das Kapital," Vol 1, p 191) Attention must be paid to the fact that this quotation from Marx was made when he analyzed the phenomena of labor force transactions. It did not involve the analysis of the process of capitalist production and reproduction. Seen from the process of capitalist reproduction which was at the same time the reproduction of capitalist exploitation relations, the essence of the "utilization" and "disposition" of the labor force of the workers by the capitalists is "permanent." So after analyzing the process of capitalist reproduction, instead of persisting in saying that a worker did not abandon any rights of possession, Marx laid stress on the "most thorough separation of labor and property," and "absolute separation of labor and rights of ownership" and stressed that even the workers themselves virtually belonged to the capitalists. "A Roman slave was tied with fetters whereas a wage worker has an invisible thread attaching him to his own owner. This false appearance of his independence was preserved by the frequent exchanges of owners and by the legal fabrication of contracts." ("Das Kapital," Vol 1, p 629-630)

It can be seen that the "right of possession" which a worker does not give up every time he sells his labor force is only the "right" to "voluntarily" provide gratis the capitalists with surplus under pressure the next time. Since it is forced to provide gratis the capitalists with surplus labor, how can the right be regarded as a "genuine" right? The term being forced refers to being forced the threat of hunger and in the stage of primitive accumulation, it refers to being forced by gallows, pillories and whips. Has there been any man on earth who has exercised such a "right"? Therefore Marx had to treat alike the "right of posses-

sion" in the labor force market and the slogans of "freedom," "equality" and "bentham" (personal interests) strictly according to the facts, namely, these things which were boasted as cherished things by the capitalists were completely satirical to the workers, because facts turned out to be precisely contrary to the slogans. If we regard the workers' "ownership" of labor force as practical and "genuine" ownership like the capitalists' ownership of the means of production and look upon the relationship between the workers and capitalists really as the relationship between two owners and term the proletarian as the propertied, then how should we understand Marx's bitter irony against these "natural rights?" (Das Kapital, Vol 1, p 199-200)

### III

No direct mention has been made regarding the socialist production relations in the above-mentioned analyses but the conclusion can be drawn from them that there is not any labor force ownership. That is because:

First, the general analysis of production shows that labor force is a laborer's ability to own nature and a partial factor in the subject of the possession relationship and not the object of possession. This point is unconditionally applicable to all production forms which take the laborers as the main subject, including the production of the independent individual laborers and the production under public ownership of the laborers who unite to jointly own the means of production. This is because under these two circumstances, the relationship between a laborer and the means of production is direct, that is, without the medium of the third person, namely, the exploiter. In addition, this point and the presumed conditions for analyzing production in general are the same. Thus it can be seen that the universal theoretical prerequisites of labor force ownership under socialism do not hold water.

Second, the comrades who argue that there exists labor force ownership in the socialist production relations take the fact that there exists labor force ownership in the capitalist society as a historical prerequisite for setting forth their views. They may say that the individual ownership of labor force is still "preserved" or "partially preserved" in the socialist production relations or they may say that along with the socialization of the means of production, labor force has also been "transferred to public ownership." The objects to be "preserved" and "transferred to public ownership" are nothing but the already existing labor force ownership. However, in section 1, we have shown that there does not exist any labor force ownership among individual laborers. In section 2, we have further shown that there is not any labor force ownership in the capitalist production relations either. Therefore, the historical prerequisites for labor force ownership under socialism do not hold water either.

Here what needs further explanation is why the theory of labor force ownership cannot elucidate the socialist production relations and in particular the essence of the socialist system of public ownership of the means of production.

The socialist system of public ownership of the means of production has different forms; state ownership, collective ownership, "social ownership," and so on. Essentially speaking, they are all common ownership by the already united laboring



individuals. Integrated combines are tools for the laborers to realize their ownership of the means of production and their role as the subject of production rather than other additional owners who place themselves above the laborers and remain apart from the laborers. This relationship between the individuals and the integrated combines is relatively easy to see clearly and even clear at a glance in an integration on a smaller scale. This relationship is not so easy to clearly see in an integration on a larger scale with many facets and comparatively complicated structure (like state ownership). This relationship may be distorted in practical life by the drawbacks of the management system (such as overcentralization and lack of democracy) and by the obstructions of various factors left over by the old society (such as bureaucratism, patriarchal mentality, selfish departmentalism, and so on). Sometimes, facing the enormous amount of means of production which initially belong to them, the common owners of the means of production seem to be wage workers who do not own a thing in the world. However, these phenomena are, after all, a distortion of the system of public ownership and not the essence of the system of public ownership. Seen from the essence of things, we must realize that the united laboring individuals are the only and genuine masters of the means of production. As Marx and Engels said: "Under the proletarian system of ownership, many implements of production must be subject to the disposition of every individual and property subject to the disposition of all individuals." ("Collected Works of Marx and Engels," "German Ideology," Vol 3, p 76)

Then how do the united laborers realize their ownership of the means of production? Generally speaking, the laborers' ownership of the means of production is realized through labor and it is just through labor that they utilize means of production and gain products of labor. Specifically speaking, the united laborers' ownership of the means of production is realized through joint labor; they utilize the commonly owned production means in joint labor to gain (produce and distribute) the products they need. This is the process of the realization of the system of public ownership of the means of production. Here as an ability to work, labor force is the ability of a laborer to realize in production his common ownership of the means of production. It is inseparable from the system of public ownership of the means of production and the process of its realization just as a laborer and his labor are inseparable from his common ownership of the means of production and the process of its realization. The theory of "labor force ownership" separates labor force from the system of public ownership of the means of production and the process of its realization and regards it as the object of another kind of relationship of ownership. This turns the laborers' public ownership of the means of product into a hollow, ossified and unreal thing lacking substance, thus negating in reality the position and role of the laborers as the masters of the means of production. We would like to show this point in the following passages by making an analysis of the concrete arguments of the advocates.

The principle argument of the comrades who advocate that labor force is publicly owned or partially, or in some aspects, publicly owned (and the comrades who stand for the argument that one day labor force will be publicly owned) is that the distribution of "labor force" among the various departments and various links must be subject to the unified arrangement and allocation of the state or the collective. In my opinion, first of all, it must be clarified that what is meant here by "labor force" which is to be distributed, arranged and allocated refers in fact to a worker rather than labor force in terms of science, namely the ability to work. This is

because first, it is impossible to separate labor force from a worker and then to distribute, arrange and allocate it; second, in actual life the object to be distributed, arranged and allocated is a worker individual and a living man who possesses personal inclination, personal interests and characteristics and is in a unique position in various social relations rather than a mere "labor force." (In everyday terminology, no strict distinction is made between a laborer and labor force; for instance, people may say a certain production team has a certain number of "labor forces.") This kind of distribution, arrangement and allocation is in essence a question of how the united laborers organize their own joint labor and share out the work and cooperate with one another, that is to say, how they unite to realize their common ownership of the means of production. Here dealings are carried out among the united laborers, namely, the masters of the means of production. Therefore, the handling of this question must be based on the principle of integrating the common will with individual will, common interests with personal interests and common needs with personal characteristics. The advocates describe the distribution, arrangement and allocation of "labor force" as the handling of a kind of public property and in fact they regard a worker as property, man as a thing, thus negating the position of the worker as the common owner of the means of production and negating the above-mentioned principle.

Over the past 20 years or more, one of the ideological roots of "leftist" mistakes we committed time and again in economic work is that we failed to regard the laborers as the real masters of the system of public ownership of the means of production, namely, common owners but instead merely considered them as the bearers of labor force or simply as "labor force."

In conjunction with the bad influence of the feudal patriarchal relationship and the relationship of personal affiliation which still exist in China's society, this idea brought about a situation in the past few years in some places in which the laborers were almost turned into certain pure "labor force property" which was in a position to be compelled to engage in labor which was harmful to the laborers instead of being profitable. This idea and its practice cannot but dampen the enthusiasm of the laborers as being the masters of their own house.

Since the 3d plenary session of the 11th CCP Central Committee, the CCP and the state have adopted a great number of important measures and corrected the "leftist" mistakes, thus confirming and stressing anew the democratic rights and economic interests of the laborers as the common owners of the means of production. (For instance, we have specified the aim of socialist production and taken it as the orientation of readjusting the economic structure; confirmed the principle of material interests; expanded the decisionmaking power of enterprises and workers' powers to manage enterprises; respected the decisionmaking power of the production teams, established production responsibility systems, and so on.) Under these circumstances, judging from the publicly published articles, the advocates who maintain labor force is publicly owned property have become relatively small in number. At present, more advocates call for the argument that what exists in the socialist production relations is individual ownership of labor force or partial individual ownership or dual ownership. But, in my opinion, this is still a depreciation and negation of the laborers status as masters of the means of production. Why do we say so?

The key argument of the comrades who advocate these formulations is that only by using the individual ownership of labor force can we explain why distribution according to work is carried out under socialism. They hold that the system of public ownership of the means of production cannot explain why the principle of distribution according to work is carried out, because the laborers' equal rights to the means of production cannot explain that distribution according to work is in fact an unequal distribution." (Wu Jixue and others: "The Right of Individual Ownership of Labor Force is the Foundation of the Principle of Distribution According to Work," JIANGHUAI LUNTAN No 5, 1980)

I hold that this formulation misunderstands either distribution according to work or the system of public ownership of the means of production. The question of why distribution according to work is implemented in fact includes two aspects: First, why can the laborers share the products of labor? Where does this right of theirs come from or in other words, what decides it? Second, why should labor be taken as the criterion in distributing consumer goods among the laborers? As for the first question, Marx already answered it in the assumption of distribution according to work in his "Das Kapital." ("Das Kapital," Vol 1, p 95) My understanding is that as members of an integrated combine, the workers utilize the commonly owned means of production and carry out joint labor. This is the basis for their joint distribution of the total products of labor. They are the common owners of the total products of labor. For this reason, they have the right to participate in the distribution of the total products. Part of the total products are put aside to be used to meet the various common needs (namely, various social deductions) and part to be distributed among the laborer individuals so as to satisfy their personal needs. The satisfaction of these parts of need means the realization of public ownership while the products a laborer gains from the distribution for personal consumption are the realization of his common ownership of the means of production in the distribution field of consumer goods. This point is included in the process of the realization of the system of public ownership of the means of production mentioned above. As for the second question, in answering it, Marx said that because there still existed old-fashioned division of work and the essential difference between physical and manual labor; labor was still a means of life rather than the first need of life and the products were insufficiently rich, so labor had to be taken as the yardstick of distribution instead of need. Thus it can be seen that we can comprehensively explain the basis for distribution according to work with the public ownership of the means of production plus the historical conditions at the stage of socialism we have mentioned here and without making use of the so-called individual ownership of labor force. As for the inequality resulting from distribution according to work, it is the result of the application of this /equal/ right of distribution according to work to the individuals whose actual conditions vary (everyone carries out equally the distribution according to the amount of work he provides). Besides, this equal right is precisely determined by the laborers as the equal and common owners of the means of production. How can we say that the system of public ownership of the means of production cannot explain this question?

On the contrary, let us look at what will happen if we use the individual ownership of labor force to explain distribution according to work rather than the system of public ownership of the means of production. That is to say, first, the right of a worker to share the products of labor stems from and is determined by his in-



dividual rights of possession of labor force; second, these individual rights of possession of labor force decide the criterion or yardstick for distributing consumer goods. In my opinion, it is difficult for these two points to hold water. This is because:

1. For these two points to hold good, it is necessary to first of all certify that there does exist a system of individual ownership of labor force (no matter whether partial or whole) and not to use distribution according to work to testify to this kind of ownership and then use this kind of ownership to explain distribution according to work as the advocates have done.

Some advocates try to step out of this circulatory argument and find grounds in terms of physiological phenomena. For example, they say in accordance with "the truth of physiology," labor force "naturally belongs to an individual" and when labor force "constitutes a factor of production," this physiological relationship will change into an economic relationship." (Wu Jixue and others: "the right of individual ownership of labor force is the foundation of distribution according to work." JIANGHUAI LUNTAN No 5, 1980, p 20) This in fact turns the socioeconomic concept of ownership into a physiological concept.

In citing Marx's words in his "critique of the Gotha Program" concerning the tacit consent of the socialist society to the idea that unequal "personal natural gifts" and "ability to work" are "natural special rights," some advocates hold that this shows there does exist individual ownership of labor force on the one hand and shows it is the basis for distribution according to work on the other hand. I maintain that this is not the real meaning of Marx. What Marx said refers to the fact that distribution according to work (not according to the ability to work) could not give consideration to and solve the diversities caused by the difference in personal natural gifts, so tacit consent had to be given to it. How can it be regarded as describing "natural gifts" and "natural special rights" as a kind of ownership and furthermore using it as the basis and criterion of distribution? Although Marx used the term "special rights" here (this word "right" possibly gives rise to the association of the advocates concerning "rights of possession"), this referred evidently to a kind of natural, namely, physiological phenomenon. How can ownership, this socioeconomic relationship stem from natural gifts and be natural? In addition, it was precisely in the same article that Marx clearly pointed out that in a socialist society, "nothing can pass into the ownership of individuals except individual means of consumption." ("Collected Works of Marx and Engels," "Critique of the Gotha Program," Vol 19, p 21) How can we describe Marx as advocating the personal property of labor force under socialism?

2. Since the right of possession of labor force is not only the basis for the individuals to gain consumer goods but also the criterion determining distribution, then, why is labor taken as the criterion of distribution instead of the extent of this right and labor force itself? Attempting to find solutions to this contradiction, some advocates explain and say: "Labor is a nonobjectifiable thing. It is immeasurable. Therefore, distribution cannot be practiced directly in accordance with labor force.... The right of possession of labor force decides distribution, which is objectivized into distribution according to the amount of work--namely, the state in which labor force plays a role in reality." (Wu Jixue and others: "The Right of Individual Ownership of Labor Force is the Foundation of the



Principle of Distribution According to Work," JIANGHUA LUNTAN, No 5, 1980, p 21) However, this explanation only serves: 1. To recognize that labor force is a non-objectifiable thing. This has posed the question of how a nonobjectifiable thing can change into the object of the right of possession, a question which is hard to answer; 2. To show that labor force cannot be the criterion for distribution of consumer goods. This explanation also fails to answer the question of why this criterion should be "objectivized" into labor, instead of being objectivized, namely, into the production costs of labor force (this is measurable) or the prices for labor force (as is the case with capitalist society) or namely, into the needs of the laborers (as is the case with the advanced stage of communism). To answer this question, it is still necessary to begin with the socialist system of public ownership of the means of production and some historical conditions at the stage of socialism we have mentioned above.

3. Using the right of possession of labor force to explain distribution according to work cannot accurately reflect the relationship between the socialist laborers and their integrated combines. The relationship in which after doing joint labor in an integrated combine, the laborers share out the commonly owned products among themselves (this relationship is easy to see at a glance in a small-scale integrated combine and the nature of the matter remains unchanged in a large and complicated integrated combine) is described as the relationship of exchange between two owners. (Of course, the distribution of the products of joint labor among themselves can be regarded as mutual exchange of labor among themselves. But this is different in meaning from the exchange among different owners.) Some advocates clearly say that here society and the individual are two different owners. (Xue Muqiao: "A Study On the Problems of China's Socialist Economy," p 69) Some advocates even go further and say: "A labor still regards labor force as his own private property to a fairly large degree and exchanges it for daily necessities with the society." (Bao Xinjian: A Tentative Study of Partial Ownership of Social Labor Force Under Socialism," Lilun Yu Shijian, theory and practice No 12, 1980, p 26) Seen from the already publicly published articles, the advocates have not reached a clear conclusion that labor force is a commodity. But so far as they are concerned, this conclusion is unavoidable. This is because a certain private belonging which is frequently exchanged with other owners is also a commodity, even if you do not call it so. Thus, the master of the means of production is called the seller of labor force commodity. Is this not a misunderstanding of the system of public ownership of the means of production and a negation of the position of the laborers as the masters?

In short, the theory of public ownership of labor force (or the theory of partial public ownership) isolates the practice of allocating and arranging the laborers among different departments and links while organizing joint labor from the process of realizing the system of public ownership of the means of production and treats it as the disposition of another kind of property (labor force property); the theory of individual ownership of labor force (or partial individual ownership) isolates the practice of distributing the products which they jointly produce and

own among the laborers from the process of the realization of the system of public ownership of the means of production and terms it as the compensation for another kind of property--labor force property. They separate from different aspects (the theory of "dual ownership of labor force" cuts apart from two aspects) the complete process of the realization of the system of public ownership of the means of production, thus turning it into an abstraction completely lacking in substance and turning the proposition that the laborers are the common owners and masters of the means of production into idle talk.

Therefore, it is only justified to think that the emergence of the theory of labor force ownership under socialism is related to the situation in which the position of the laborers as the masters of the means of production has, in fact, not been properly recognized and respected in real life for many years, and is a reflection in theory of this actual reality. In my opinion, the important historical task confronting us now is precisely to correctly sum up the 32 years of experiences, both positive and negative, reaffirm and stress both theoretically and practically the position and role of the laborers as the masters of the system of public ownership of the means of production and enhance the sense of responsibility of the broad masses of laborers as the masters of the country. So it is of significance to discuss this question. Some comrades propose using the study and discussion of Marx's theory of 'free joint labor' to replace the controversy on the question of labor force ownership." (Zhan Biao: "A Comment on 'The Theory of Production Conditions Ownership' and Others," Wuexi Yu Tansuo, [Study and Exploration] No 2, 1981, p 64) I think and hope that this debate will be able to promote the study and exploration and research in this field.

First draft April 1981; revised draft September.

CSO: 4006/324

GENERAL

CHANGSHA LEADER STRESSES IMPROVING URBAN LIVING

HK150803 Changsha Hunan Provincial Service in Mandarin 1100 GMT 14 Feb 82

[Summary] Changsha Municipal CCP Committee Secretary Shi Xinshan said in a work report to the third plenary session of the Sixth Municipal CCP Committee on 12 February: Leaders at all levels must be concerned for the people's daily life and seriously solve those problems that can be solved. He said that the municipality must concentrate on the following five tasks in this respect in 1982:

1. Solve the vegetable problem. The suburban communes and brigades should expand the vegetable area to 30,000 mu. Cultivation and sales must be done according to plan. About 750,000 jin should be marketed every day.
2. Solve the water problem. This year the municipality must hurry to complete the main project of the Hexi waterworks and its ancillary projects and ensure that it is supplying water by May Day. This will increase the water supply capacity by 50,000 tons. Work must also go ahead on the second stage of this project, which will supply a further 100,000 tons. This should be in operation by 1 July. The city's water supply capacity will thus rise from 270,000 tons last year to 420,000 tons.
3. Solve the masses' difficulties in buying coal.
4. Solve the problem of going on to higher education. The percentage of junior middle school students going on to senior middle school should rise from 60 last year to 70.
5. Consolidate and develop the collective and individual economy and develop the service and repair trades, to provide more jobs for people awaiting employment.

CSO: 4006/325

GENERAL

HUBEI RADIO ON HELPING FAMILIES IN DIFFICULTY

HK150843 Wuhan Hubei Provincial Service in Mandarin 1100 GMT 11 Feb 82

[Station commentary: "It Is Essential For the Whole Province To Grasp Firmly and Well Helping Families in Difficulty"]

[Text] The Yingshan County people's government at all levels has adopted effective measures to help families in difficulty develop production and gradually embark on the path to prosperity. This fully manifests the superiority of the socialist system and the concern for peasants shown by the party and the people's government. This is of great significance in speeding up the process of thousands of peasants jointly forging ahead along the path to prosperity and in further changing the face of poverty in rural areas.

In the past few years, under the guidance of the party's policy to enrich the people, a great number of peasant households have gradually become well-off and their living standard has obviously been raised. However, we should also be aware that for various reasons, some commune members are actually not making much progress in trying to become well-off. Up till now, some commune members are still living a poor life and have not yet shaken off their difficulties. How to help these commune members develop production and gradually embark on the path to prosperity is a pressing task for all rural party organizations and people's government at all levels. As a common saying goes: The blooming of one flower does not signify that spring has come, whereas the blooming of a hundred flowers clearly shows spring is everywhere. Our party permits some peasants to become well-off before others. But the goal we are fighting for is to help all peasants become well-off and lead a happy life.

The conditions of each locality vary. The measures and ways to help families in difficulty develop production are also different. Yingshan County has provided very good experience. In accordance with the conditions of different localities and different families, it has gradually put into effect measures to help families overcome their difficulties in regard to shortage of manpower, funds and technology in production and helped families in difficulty gradually become well-off.

We have a superior socialist system and a collective economy with a relatively solid foundation. Besides, commune members of families in difficulty are resolutely determined to quickly change their situation of poverty. As long as leaders at all levels attach importance to this and publicize existing experiences, we will certainly make achievements.

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MARCH 15, 1982